Heterogeneous stakeholder pressure*

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Abstract

Stakeholder theory predicts that pressure from organized groups improves firms' social and environmental performance, yet firms facing the most diverse stakeholder demands often respond with policy announcements rather than meaningful change. We argue that this puzzle is explained by the internal composition of the demand portfolio — not merely its intensity. Heterogeneity across CSR issues operates through a *capacity constraint*: resource and attention fragmentation limits firms' ability to engage deeply across multiple domains simultaneously. Heterogeneity across stakeholder groups operates through an *incentive constraint*: incommensurable evaluative standards dilute the reputational returns to substantive engagement. Both constraints shift firms toward symbolic rather than substantive CSR adoption, but respond to different moderating conditions: stakeholder collaboration attenuates the incentive constraint but not the capacity constraint; managerial receptivity attenuates the capacity constraint but not the incentive constraint; shareholder receptivity attenuates both. Using shareholder proposals as a setting that renders simultaneous stakeholder pressures directly observable, we find that heterogeneous pressure reduces the likelihood of substantive CSR adoption by approximately eight percentage points per standard deviation, and predicts more CSR policy adoption alongside worse realized environmental and social outcomes — widening the gap between formal commitment and actual change. These findings show that it is the configuration of the full demand portfolio, not the intensity or characteristics of individual demands, that determines whether stakeholder pressure translates into substantive firm responses.

Key words: Stakeholder theory, Shareholder proposals, Symbolic & Substantive CSR

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1 Introduction

Why does more stakeholder pressure sometimes produce less substantive firm response? Firms that face the most diverse demands — simultaneous calls to reduce emissions, improve labor conditions, enhance diversity, and address human rights — often respond with policy announcements and formal commitments rather than meaningful organizational change. This pattern is puzzling from the perspective of stakeholder theory, which predicts that organized pressure improves firms' social and environmental performance (Agle et al., 1999; Frooman, 1999). We argue that the puzzle is explained not by the intensity of pressure but by its internal composition: when the portfolio of simultaneous demands a firm faces is dispersed across issues, stakeholder groups, or both, the conditions that make substantive adoption the manager's preferred response break down.

A growing body of work has examined firm behavior under heterogeneous stakeholder demands. Scholars have shown that within-group heterogeneity among stakeholders shapes environmental performance (Kassinis and Vafeas, 2006), that the configuration of institutional and stakeholder pressures drives CSR strategy (Lee, 2011), that variation in pressure across primary and secondary stakeholders affects CSR implementation (Helmig et al., 2016), that interdependent demands from politically and economically heterogeneous stakeholders influence firm innovation (Li et al., 2018), and that diverse stakeholders can exert pressure while maintaining distinct identities (Colleoni et al., 2024). These frameworks share a foundational insight: it is the structure of combined pressure, not its raw intensity, that drives divergence in CSR strategy. Yet they treat heterogeneous pressure as a unified proximate signal whose internal composition does not enter the framework. The question of what happens when that signal is itself internally divided — when the portfolio of simultaneous demands is more scattered across issues, stakeholder groups, or both — is one that existing configurational frameworks, by design, leave unanswered.

We address this gap by developing a theoretical framework that disaggregates heterogeneous stakeholder pressure into two distinct dimensions and shows that each operates through a different constraint on firm behavior. Consider a firm that receives five stakeholder demands in a single year: a labor union raises worker safety concerns, a religious organization presses

on human rights in the supply chain, and two pension funds and an NGO inquire about carbon emissions. This firm faces pressure that varies simultaneously along two dimensions. First, the issues are dispersed: worker safety, human rights, and carbon emissions represent three different CSR domains, each requiring different organizational capabilities, resources, and managerial attention. Second, the stakeholder groups are dispersed: a union, a religious organization, two pension funds, and an NGO each carry different expectations, legitimacy bases, and definitions of what an adequate response looks like. We argue that these two dimensions of heterogeneity operate through distinct constraints. Heterogeneity across CSR issues operates through a *capacity constraint*: resource and attention fragmentation limits firms' ability to engage deeply across multiple domains simultaneously. Heterogeneity across stakeholder groups operates through an *incentive constraint*: incommensurable evaluative standards dilute the reputational and legitimacy returns the firm can expect from substantive engagement on any single issue. Both constraints shift firms toward symbolic rather than substantive CSR adoption, but through different channels.

Because the two constraints are distinct, they respond to different moderating conditions — a prediction that prior configurational frameworks cannot generate. Stakeholder collaboration attenuates the incentive constraint by consolidating divergent evaluative standards into a single unified demand before the firm is approached, but cannot dissolve the resource and attention constraints that drive issue heterogeneity effects. Managerial receptivity — the willingness of top managers to allocate organizational resources toward CSR in response to stakeholder demands — attenuates the capacity constraint by raising the baseline willingness to invest substantively across heterogeneous issues, but cannot reconstruct the evaluative consensus that divergent stakeholder standards destroy. Shareholder receptivity — the degree to which the firm's investor base signals support for CSR through voting behavior — attenuates both constraints simultaneously, because consistent investor support restores the expected returns to substantive adoption while also granting managers the organizational latitude to bear the costs of engagement across fragmented demands. This asymmetric pattern of moderation is the sharpest theoretical implication of the capacity-versus-incentive distinction and constitutes the paper's central empirical test.

We test these predictions using shareholder proposals as an empirical setting that renders simultaneous stakeholder pressures directly observable and disaggregable by issue and stakeholder type at the firm-year level (DesJardine et al., 2022; Flammer, 2013, 2015). The low filing threshold under SEC Rule 14a-8 — just $2,000 in stock ownership — means that proposals reflect the priorities of a genuinely diverse set of actors: religious organizations, labor unions, pension funds, NGOs, and individual activists. We measure heterogeneity using Herfindahl–Hirschman concentration indexes computed separately across CSR issues and stakeholder groups for each firm-year, and we measure substantive CSR adoption using 156 granular indicators from LSEG that distinguish realized outcomes and controversies from policies, targets, and commitments, classifying firms into substantive, symbolic, and compliance-oriented profiles through industry-level clustering.

The empirical results provide strong and consistent support for our predictions. A one-standard-deviation increase in either issue or stakeholder heterogeneity reduces the likelihood of substantive CSR adoption by approximately eight percentage points. We instrument stakeholder heterogeneity using shareholder proposal waves — coordinated campaigns in which activists submit nearly identical proposals across many firms simultaneously (Flammer et al., 2019, 2021) — and find instrumented estimates consistent with OLS, supporting a causal interpretation. The moderating predictions are confirmed with the predicted asymmetry: collaboration and managerial receptivity attenuate the effects of stakeholder and issue heterogeneity respectively, but not vice versa, while shareholder receptivity attenuates both. Firms under heterogeneous pressure adopt more CSR policies while simultaneously performing worse on realized environmental and social outcomes, widening the gap between formal commitment and actual change that is the hallmark of symbolic management (Bromley and Powell, 2012; Crilly et al., 2016). Issue heterogeneity also predicts lower subsequent financial performance in several specifications, suggesting that the costs of fragmented stakeholder pressure extend to investors as well.

This study makes three contributions to stakeholder theory. First, we show that it is the configuration of the full demand portfolio — not the intensity or characteristics of individual demands — that determines whether stakeholder pressure translates into substantive firm re-

sponses. Heterogeneous pressure reduces substantive CSR adoption through two distinct constraints: a capacity constraint, in which resource and attention fragmentation limits the firm's ability to engage deeply across multiple CSR issues, and an incentive constraint, in which the incommensurability of evaluative standards dilutes the reputational returns to substantive engagement when stakeholder groups diverge. Second, because these constraints are distinct, they respond to different moderating conditions, generating asymmetric predictions about collaboration, managerial receptivity, and shareholder receptivity that advance a more precise theory of stakeholder influence than prior configurational frameworks can produce (Kassinis and Vafeas, 2006; Lee, 2011; Helmig et al., 2016; Colleoni et al., 2024). Third, we connect heterogeneous pressure to the symbolic versus substantive adoption distinction (Durand, Hawn and Ioannou, 2019; Nardi, 2022), showing that the configuration of the demand portfolio is a structural driver of the gap between formal CSR commitments and realized outcomes — a mechanism that prior decoupling research has not identified (Bromley and Powell, 2012; Crilly et al., 2016).

2 Theory

2.1 Theoretical background

Business operates through relationships among groups that hold a stake in the firm's activities (Donaldson and Preston, 1995; Freeman, 1984). Stakeholder theory studies how firms engage customers, suppliers, employees, investors, and regulators who affect and are affected by the firm (Freeman and Reed, 1983), and CSR provides the natural empirical domain in which these relationships play out (Bosse et al., 2009; Harrison and Wicks, 2013). Stakeholder pressure — the efforts of these groups to influence firm behavior by linking their demands to the firm's access to resources, legitimacy, or reputation (Agle et al., 1999; Frooman, 1999) — shapes managers' expectations about the consequences of addressing specific CSR issues. The intensity of this pressure varies across issues, firms, and stakeholder groups, depending on whether stakeholders control resources, hold legal authority, or shape public discourse (Mitchell et al., 1997; Frooman, 1999), and on whether the issues they raise attract public attention and moral concern (Bundy and Pfarrer, 2015; Zavyalova et al., 2012).

We assume managers evaluate stakeholder demands by weighing expected benefits, costs, and constraints (Durand, Hawn and Ioannou, 2019; Oliver, 1991; Pache and Santos, 2010). When pressure is limited, firms adopt compliance-oriented CSR because deeper engagement offers insufficient returns (Godfrey, 2005; Marquis and Qian, 2014). When pressure is intense but full compliance is costly, firms may pursue symbolic CSR — signaling commitment without implementing change (Crilly et al., 2016; Bothello et al., 2023). Between these conditions lies a level of pressure at which substantive adoption becomes the profit-maximizing choice. Stakeholders understand this logic and strategically calibrate their pressure to make substantive adoption the manager's preferred response. At the optimum, managerial incentives align with stakeholder preferences — not because managers internalize stakeholder goals, but because the pressure structure makes substantive adoption more profitable than the alternatives.

This framework exposes the conditions under which heterogeneity in stakeholder pressure disrupts the equilibrium. When a firm faces simultaneous demands from multiple stakeholders or across multiple CSR issues, optimal calibration becomes harder to sustain — but through distinct constraints. Heterogeneity across CSR issues operates through a *capacity constraint*: resource and attention fragmentation limits the firm's ability to engage deeply across multiple domains simultaneously. Heterogeneity across stakeholder groups operates through an *incentive constraint*: the incommensurability of evaluative standards dilutes the reputational and legitimacy returns the firm can expect from substantive engagement on any single issue. Both constraints shift the equilibrium away from substantive adoption, but through different channels — a distinction with direct implications for the moderating conditions we develop in Sections 2.4 and 2.5.

2.2 Heterogeneous pressure across issues

Issue heterogeneity operates through a capacity constraint: when stakeholder pressure is dispersed across multiple CSR issues, resource and attention fragmentation limits the firm's ability to engage substantively with any of them. Substantive adoption of any single CSR issue demands meaningful investment of capital, managerial attention, and organizational change. Firms possess finite resources and specialized capabilities, and physical, organizational, and

cognitive constraints limit the number of issues they can address deeply at any given time (Penrose, 1959; Hart, 1995; Husted and de Jesus Salazar, 2006). Moreover, firms are unevenly equipped across CSR domains: their capabilities, routines, and asset configurations make them more effective in some areas than others, so the marginal cost of substantive engagement rises as demands extend further from the firm's existing capability base.

When pressure is dispersed across multiple issues, managers must allocate scarce resources among competing priorities, typically favoring issues that align most closely with existing capabilities (Ocasio, 1997; Qian et al., 2023; Ringov et al., 2026). As the heterogeneity of demanded issues increases, the feasibility of substantive adoption across all of them declines. Firms may still be expected to respond across the full portfolio — non-response carries reputational costs — yet the cumulative resource demands of substantive engagement may exceed organizational capacity. Under such conditions, firms that might have substantively addressed any single issue in isolation instead dilute their efforts across the portfolio, shifting toward symbolic or compliance-oriented responses. Dispersed pressure thus reduces substantive CSR adoption not because firms lack resources per se, but because fragmentation across heterogeneous issues makes deep engagement across all of them simultaneously infeasible.[1]

Attention constraints reinforce this dynamic. Managers have limited attention and cannot engage equally with all issues (Ocasio and Joseph, 2005; Crilly and Sloan, 2012), and tend to emphasize issues that are strategically salient for core operations (Bansal et al., 2018) or that align with personal values (Bundy et al., 2013; Gupta et al., 2017; McKean and King, 2024). Critically, attention scarcity does not simply produce non-response or the prioritization of one issue over others — it produces symbolism. When firms cannot engage deeply with all issues but face reputational costs for failing to respond across all of them, symbolic action becomes the efficient solution: it signals responsiveness across multiple domains at a lower per-issue cost than substantive engagement requires. A firm under heterogeneous issue pressure therefore finds it increasingly rational to substitute broad symbolic commitments — policies,

[1]Issue complementarities could in principle attenuate this effect. When demanded issues draw on the same organizational capabilities or asset base, investing in one reduces the marginal cost of investing in another, partially relaxing the capacity constraint. However, such complementarities are the exception rather than the rule in a diversified CSR portfolio: labor practices, environmental performance, human rights, and governance each require different expertise, capital allocation, and organizational routines. We therefore expect resource and attention competition to dominate in most empirical settings.

targets, reporting frameworks — for the deep organizational change that substantive adoption demands.

Signal ambiguity compounds the capacity problem at the firm level. When multiple stakeholders with heterogeneous demands press simultaneously, managers face uncertainty about which response would satisfy enough stakeholders to generate the reputational and legitimacy returns that justify substantive investment. A firm that invests deeply in reducing carbon emissions satisfies environmental stakeholders but may not move the needle for those pressing on labor practices or human rights. Because the returns to substantive adoption depend on generating a sufficiently broad favorable response, this ambiguity reduces the expected return to substantive engagement on any single issue. Symbolic actions, by contrast, can be calibrated to signal responsiveness across multiple domains simultaneously, making them relatively more attractive precisely when the portfolio of demands is most heterogeneous.

H_{1a}: Heterogeneous stakeholder pressure across issues leads to less substantive CSR adoption.

2.3 Heterogeneous pressure across stakeholders

Stakeholder heterogeneity operates through an incentive constraint: when multiple stakeholder groups press on CSR issues while holding divergent positions on what an adequate response looks like, the incommensurability of their evaluative standards dilutes the reputational and legitimacy returns the firm can expect from substantive engagement. This distinguishes stakeholder heterogeneity from issue heterogeneity, which operates through a capacity constraint, and generates distinct predictions about when and how each can be attenuated.[2]

The returns to substantive CSR adoption depend on stakeholders recognizing and rewarding the firm's response with reputational endorsement and legitimacy conferral (Bundy and Pfarrer, 2015; Zavyalova et al., 2016). These returns are generated only when the firm's ac-

[2]We use *incommensurable evaluative standards* to mean that stakeholder groups hold criteria for what constitutes an adequate CSR response that are sufficiently divergent that no single substantive action can simultaneously satisfy all of them. This is not a claim about ontological incompatibility in the philosophical sense (Kuhn, 1962), but a practical claim about the structure of the firm's stakeholder environment: when groups disagree not merely on how much a firm should do but on what direction it should move, the expected return to any particular substantive action is diluted because some groups will evaluate it unfavorably regardless of its content. The opposing pressures example in the following paragraph — where some stakeholders press for expanded CSR while others urge retrenchment — represents the limiting case of this condition.

tion is evaluated favorably against the standards stakeholders apply. When stakeholder groups hold divergent standards for what constitutes an adequate response, the firm's action is simultaneously evaluated against incompatible benchmarks. A firm adopting a 2040 net-zero target satisfies stakeholders who view it as meaningful progress, fails those who demanded a 2030 target, and antagonizes those who view any net-zero commitment as competitively harmful. No single substantive action can be simultaneously adequate by all standards. As divergence in stakeholder positions increases, the expected return to any particular substantive response declines, weakening the incentive to invest in substantive adoption (Philippe and Durand, 2011; Zavyalova et al., 2012).

When the expected return to substantive adoption is low because evaluative standards are incommensurable, but the reputational cost of non-response remains high because multiple salient stakeholders are watching, symbolic action resolves the tension efficiently. It signals good faith engagement across divergent audiences without committing to the specific standard any one of them holds (Crilly et al., 2016; Marquis and Qian, 2014). A policy announcement, a sustainability target, or a reporting commitment can be framed as responsive to environmental, labor, and governance stakeholders simultaneously, even when their underlying positions are incompatible. Substantive adoption cannot achieve this: it requires committing organizational resources to a specific course of action that satisfies some stakeholder standards and fails others.

This logic extends with particular force when stakeholder pressure moves in opposite directions (Pache and Santos, 2010; Seo, 2025). When some stakeholders press firms to expand CSR initiatives while others urge retrenchment, the incommensurability of their demands is complete: any substantive response that satisfies one group directly antagonizes the other, and the net reputational return to substantive adoption approaches zero regardless of which direction the firm moves. Such opposing pressures are increasingly common in practice. Recent shareholder proposals have sought to dismantle diversity, equity, and inclusion initiatives at Apple, Costco, Goldman Sachs, and Berkshire Hathaway, while others have simultaneously pressed firms including Chevron and Duke Energy to deepen their net-zero commitments. Under such conditions, firms retreat to symbolic actions that can be read as responsive by both camps simultaneously — announcing reviews, issuing statements of principle, or adopting broadly

worded commitments that defer substantive action indefinitely.[3]

H_{1b}: Heterogeneous stakeholder pressure across stakeholders leads to less substantive CSR adoption.

2.4 Collaboration

Stakeholder collaboration addresses the incentive constraint that drives stakeholder heterogeneity effects, but leaves the capacity constraint that drives issue heterogeneity effects intact. This asymmetry is the central prediction of this section.

When stakeholders submit joint proposals or form coalitions before engaging management (Chuah et al., 2024; Grimm and Reinecke, 2024), they must resolve their internal differences prior to approaching the firm. This pre-reconciliation process is the key mechanism. By agreeing on a common target and coordinating their expectations before making demands (Slager et al., 2023), collaborating stakeholders replace multiple divergent evaluative standards with a single unified one. The incommensurable benchmarks problem identified in Section 2.3 is thereby resolved at the stakeholder level before it reaches the firm: instead of facing a portfolio of incompatible standards against which no single substantive action can be adequate, the firm receives a consolidated demand that a specific substantive response can satisfy. The expected reputational and legitimacy returns to substantive adoption are correspondingly restored, shifting the firm's cost-benefit calculus back toward substantive engagement. From the firm's perspective, a jointly sponsored proposal delivers a single pre-reconciled demand rather than multiple divergent ones, allowing managers to identify with greater precision which response would generate sufficient stakeholder endorsement to justify substantive investment.[4]

Collaboration is unlikely to attenuate issue heterogeneity through the same mechanism, however. Even perfectly coordinated stakeholder demands across multiple CSR issues do not

[3]Stakeholders differ in power, legitimacy, and urgency (Mitchell et al., 1997). Firms often prioritize more influential stakeholders. Yet heterogeneity can still reduce substantive adoption because some demands remain unmet regardless of which stakeholder the firm prioritizes. This effect intensifies when several influential stakeholders advance incompatible positions.

[4]Collaboration may itself be subject to selection: stakeholder groups that choose to collaborate may already hold more homogeneous preferences than those that do not, in which case the observed attenuation of stakeholder heterogeneity effects partly reflects who collaborates rather than the act of collaboration itself. We address this concern empirically by controlling for the number and composition of proposals in all specifications, and by noting that our heterogeneity measure captures the full portfolio of demands the firm faces, not only those filed jointly.

dissolve the resource and attention constraints that make simultaneous substantive engagement across those issues infeasible. A jointly sponsored proposal that demands emission reductions, improved labor practices, and supply chain human rights reforms simultaneously is organizationally coherent from the stakeholder side, but it does not expand the firm's capability base or free up the managerial attention required to engage deeply with each domain. The capacity constraint is a property of the firm's resource structure, not of the clarity or coherence of the demands it receives. Coordination across multiple CSR issues is also harder to sustain among stakeholder groups that prioritize different domains (Grimm and Reinecke, 2024), further limiting the scope for collaboration to consolidate cross-issue demands even when stakeholders attempt it.[5]

H_2: Collaboration among stakeholders reduces the negative effect of heterogeneous stakeholder pressure across groups on substantive CSR adoption, but does not attenuate the negative effect of heterogeneous pressure across issues.

2.5 Managerial receptivity

Managerial receptivity refers to the extent to which top managers are open to and willing to allocate organizational resources toward CSR initiatives in response to stakeholder demands. Upper echelons theory argues that executives' values, experiences, and identities shape how they interpret environmental cues (Hambrick and Mason, 1984), and in the CSR domain these differences shape how managers prioritize stakeholder demands (McDonnell et al., 2015; Odziemkowska and McDonnell, 2024). We argue that managerial receptivity attenuates the capacity constraint that drives issue heterogeneity effects, but leaves the incentive constraint that drives stakeholder heterogeneity effects intact.

Managers with low receptivity treat fragmented demands as justification for symbolic responses, framing competing priorities as evidence of uncertainty about how to allocate re-

[5]The free-rider problem in coalition formation also limits the scope of collaboration as an attenuating force. When multiple stakeholders share an interest in pressuring a firm on the same issue, each has an incentive to let others bear the costs of organizing and filing a joint proposal. This collective action problem is more severe when potential coalition members are numerous and heterogeneous, which is precisely the condition under which the incentive constraint is strongest. Collaboration therefore attenuates stakeholder heterogeneity effects most reliably when the number of divergent groups is small enough that coordination costs remain manageable (Olson, 1965).

sources (Crilly and Sloan, 2012; Pache and Santos, 2010). Managers with high receptivity, by contrast, are more willing to bear the organizational costs of allocating attention and resources across heterogeneous issues, treating diverse demands as credible signals that warrant substantive engagement. Managerial receptivity therefore attenuates the capacity constraint directly by raising the baseline willingness to invest substantively even when doing so across multiple issues is organizationally costly.

Yet this capacity-side attenuation has a precise boundary. Even a highly receptive manager cannot generate reputational and legitimacy returns from stakeholders who hold incommensurable evaluative standards. The willingness to allocate resources does not change the fact that no single substantive action can simultaneously satisfy divergent stakeholder benchmarks, leaving the incentive constraint that drives stakeholder heterogeneity effects intact. Managerial receptivity thus operates selectively: it softens the capacity wall that dispersed issue demands create, but cannot reconstruct the evaluative consensus that divergent stakeholder demands destroy.

H_{3a}: Managerial receptivity moderates the negative relationship between heterogeneous stakeholder pressure across issues and substantive CSR adoption, but does not moderate the negative relationship between heterogeneous pressure across stakeholders and substantive CSR adoption.

2.6 Shareholder receptivity

Shareholder receptivity refers to the degree to which the firm's investor base signals support for CSR through voting behavior on shareholder proposals (Durand, Paugam and Stolowy, 2019; Bauer et al., 2021). Unlike managerial receptivity, which operates exclusively through the capacity channel, shareholder receptivity operates through both constraints simultaneously, generating a broader moderating reach that is a direct implication of the capacity-versus-incentive framework.

Through the incentive channel, consistent shareholder support signals that substantive CSR will be rewarded financially and reputationally by those whose endorsement the firm most directly depends on. This partially compensates for the dilution of external stakeholder en-

dorsement when incompatible positions make universal satisfaction impossible (Philippe and Durand, 2011; Zavyalova et al., 2012). When shareholders consistently vote in favor of CSR proposals, the expected return to substantive adoption is partially restored even when external stakeholder standards remain incommensurable, because the firm can anticipate financial and reputational recognition from its investor base regardless of whether all external stakeholders are satisfied.

Through the capacity channel, strong shareholder support grants managers the organizational latitude to bear the costs of substantive engagement across heterogeneous demands without facing pressure to prioritize near-term financial returns. This latitude operates because shareholder support reduces the career risk managers bear when allocating resources to CSR initiatives whose payoff is uncertain or delayed (Hambrick and Mason, 1984; McDonnell et al., 2015), thereby attenuating the resource and attention fragmentation that dispersed issue demands produce. A manager who knows that shareholders support substantive CSR can treat heterogeneous issue demands as an investment opportunity rather than an organizational burden, reallocating attention and resources across the demand portfolio with greater confidence that doing so will be recognized and rewarded.

Because shareholder receptivity repairs both the incentive and capacity constraints that heterogeneous pressure exploits, its moderating reach extends across both dimensions of heterogeneity where managerial receptivity reaches only one. This asymmetry — managerial receptivity moderating issue heterogeneity only, shareholder receptivity moderating both — is the key prediction of the capacity-versus-incentive framework and cannot be derived from prior configurational approaches that treat heterogeneous pressure as a unified signal.

H_{3b}: Shareholder receptivity moderates the negative relationship between heterogeneous stakeholder pressure — both across issues and across stakeholder groups — and substantive CSR adoption.

3 Data & Method

Examining how heterogeneity in stakeholder pressure shapes substantive CSR adoption requires two distinct measurement challenges to be addressed. First, we need a measure that captures the internal composition of the stakeholder demands firms face — not simply how many proposals they receive but how those proposals are distributed across issues and stakeholder groups. Second, we need a measure that distinguishes firms by their CSR approach in a way that reflects the substantive-versus-symbolic distinction developed in the theory section, rather than relying on aggregate ESG ratings that conflate commitments with outcomes.

Our approach to classifying CSR approaches builds on the framework developed by Durand, Hawn and Ioannou (2019) and Nardi (2022), who conceptualize CSR along two dimensions: substantive performance, which captures what firms achieve in realized outcomes, and symbolic performance, which captures what firms communicate and commit to. This structure yields three empirically recoverable CSR profiles — substantive, compliance-oriented, and symbolic — that correspond directly to the theoretical distinctions developed in Section 2. Rather than imposing these profiles through ex-ante thresholds, we allow them to emerge from the data through an unsupervised clustering algorithm applied within each industry, letting the boundary between approaches be determined by the data rather than the researcher. This is particularly important when the construct being measured — the degree to which firms decouple commitments from outcomes — varies systematically across industries. We then interpret the resulting clusters by ranking firms separately on substantive and symbolic indicators, classifying firms as substantive CSR adopters if they exhibit the strongest substantive performance, as symbolic CSR firms if they lead on symbolic performance, and as compliance-oriented firms if they display moderate performance on both dimensions.

3.1 Data

Our empirical analysis draws on three primary data sources that together capture CSR approaches, stakeholder pressure, and the firm and managerial characteristics that may confound their relationship.

CSR data. We obtain granular CSR data from LSEG (formerly Refinitiv/Asset4), which reports 136 environmental, 184 social, and 146 governance indicators for 1,234 publicly traded non-financial firms over the period 2003 to 2019, yielding 5,035 firm-year observations. The dataset captures firms' CSR policies, targets, activities, controversies, and outcomes across domains including emissions, energy and water use, waste, ecological impact, human rights, privacy, product quality, labor practices, employee health and safety, supply chain management, business ethics, and risk management. In 2019, the covered firms represented a combined market capitalization of $46.2 trillion. The granularity of the LSEG data is critical: it allows us to separately observe what firms commit to — policies, targets, and reporting practices — and what they achieve in realized outcomes and controversies, which is precisely the distinction our substantive-versus-symbolic classification depends on. Appendix A describes the data cleaning procedure, explains how we classify each indicator as substantive or symbolic, and reports summary statistics for all 156 retained variables.

Shareholder proposal data. We complement the CSR data with shareholder proposal data from Institutional Shareholder Services (ISS), which records the identity of each proposal's filer and the CSR issue it addresses for all proposals filed at US firms over the sample period. These data are the basis for our heterogeneity measures. The ISS classification covers approximately 250 distinct CSR issues and nine stakeholder categories: religious organizations, labor unions, NGOs, individuals, corporations, socially responsible investment funds, mutual funds, pension funds, and other organizations. The low filing threshold under SEC Rule 14a-8 — just $2,000 in stock ownership — means that proposals reflect the priorities of a genuinely diverse set of actors rather than only large institutional investors. In our sample, the average firm-year ballot contains 2.6 proposals, with the most heavily targeted firms receiving more than 20, reflecting the wide variation in stakeholder pressure that our heterogeneity measures are designed to capture.[6]

Firm and managerial data. We collect firm-level accounting and stock price data from

[6]To illustrate the diversity of filers, the average proposal is sponsored by 0.82 individuals, 0.21 labor unions, 0.19 religious organizations, and 0.12 special-interest groups. One could argue that stock-holding stakeholders vary in how they target firms on CSR issues relative to non-stockholding stakeholders. Our results, and those of others using shareholder proposals as a setting, are conditional on such potential differences (Gantchev and Giannetti, 2021).

Eikon, Compustat US, Compustat Global, and CRSP, including sector, total assets, net income, market capitalization, leverage, and return on assets. We retrieve information on CEOs and their remuneration from Execucomp, including age, tenure, gender, and the share of salary in total compensation. These variables serve as controls for differences in managerial profiles and firm characteristics that may independently shape CSR choices.

3.2 Method

3.2.1 Clustering analysis

We use firm-level k-means clustering to group firms by similarities in CSR performance. This unsupervised approach is appropriate here because it allows CSR profiles to emerge from the data without requiring the researcher to impose ex-ante thresholds on what combination of substantive and symbolic performance constitutes each approach (MacQueen, 1967). It partitions firms into clusters without imposing assumptions about the number or type of CSR approaches, allowing the classification to reflect observed firm behavior rather than researcher judgment.

We conduct the analysis separately by sector because CSR issues vary across industries (Ahn et al., 2024). For example, oil spills matter for petrochemical firms but not for technology firms. Cross-sector comparisons would confound issue relevance with performance. We therefore run industry-specific analyses for mining, construction, manufacturing, utilities, retail and wholesale, services, healthcare, ICT, food manufacturing, and petrochemical manufacturing.

Within each sector, we restrict the analysis to CSR issues classified as material by the Sustainability Accounting Standards Board (SASB) (Ahn et al., 2024). SASB defines industry-specific sustainability topics and informs reporting standards. This restriction ensures that each variable captures issues that matter within the sector. Our results remain stable when we include the full set of LSEG indicators. Appendices A and B report details on data cleaning, clustering procedures, and model fit. Because k-means relies on distances between variables, we also normalize and winsorize all CSR indicators at the industry level to five standard deviations (as is customary; Jain, 2010).

The clustering procedure identifies distinct CSR approaches in each industry. We determine the optimal number of clusters using the method proposed by Punj and Stewart (1983), which

evaluates the incremental explanatory power of additional clusters. This procedure consistently selects three clusters per industry. The three-cluster structure emerges consistently without researcher-imposed archetypes, which we interpret as evidence that the classification captures genuine variation in CSR strategy rather than an artifact of the algorithm. On average, the three-cluster solution explains 48.04% of the variation in firms' substantive and symbolic CSR performance (see Appendix B). This figure reflects the inherent heterogeneity of CSR behavior within industries rather than a deficiency of the classification: unsupervised clustering applied to noisy, multi-dimensional behavioral data routinely yields explanatory power in this range (Hair, 2013), and the classification's external validity is confirmed against independent EPA data in Appendix C, where substantive adopters are shown to pollute less, face fewer fines, and report fewer toxic releases than their symbolic counterparts.

3.2.2 Measuring substantive and symbolic CSR

We characterize each approach captured in the clusters by constructing separate scores for substantive and symbolic CSR. The granularity of the LSEG data enables this distinction. Many CSR studies rely on aggregate ESG ratings or single indicators such as CO_2 emissions. LSEG enables more fine-grained analysis by providing detailed information on both actions and outcomes, allowing us to distinguish between substantive CSR — what firms achieve in realized outcomes — and symbolic CSR — what firms communicate and commit to.

We follow Nardi (2022), who defines symbolic CSR as low-cost activities that signal social responsibility, and substantive CSR as resource-intensive initiatives that generate societal benefits. We operationalize this distinction based on whether an indicator captures observable outcomes rather than commitments or communications. Consider employee health and safety. Firms often adopt formal policies, disclose information on safety practices, and introduce training programs. These reflect organizational commitments and are classified as symbolic indicators. LSEG also reports outcome measures — workplace accidents, injury rates, and occupational illnesses — which we classify as substantive indicators because they reflect realized results rather than stated intentions. Two firms with identical safety policies and reporting frameworks receive similar symbolic scores; if only one achieves a meaningful reduction

in accidents, only that firm receives a higher substantive score.

We classify firm actions — observable changes in behavior that fall between broad commitments and realized outcomes — as symbolic rather than substantive. This choice is supported empirically: actions related to employee benefits, fair marketing, health and safety, supply chain safety, and water use correlate more strongly with policy commitments than with outcome measures in the same domains, indicating that they align more closely with the symbolic dimension of CSR performance.[7]

We measure symbolic and substantive CSR using a non-parametric rank-ordering approach (Wittkowski et al., 2004) (see Equation 1). Within each industry, we compare firms pairwise across CSR aspects. Firm f outperforms firm f' if it performs at least as well on all CSR aspects, $\text{CSR}_f(x)$, and strictly better on at least one. If one firm performs better on labor standards and the other on emissions, the method does not assign a dominance. We translate these pairwise comparisons into overall scores (Equation 2). For each firm, we subtract the number of firms that outperform it from the number it outperforms within a given dimension. We compute these scores separately for substantive and symbolic CSR, calculate all scores within industries, and rescale them by normalizing to the industry average to ease interpretation. Figure 1 presents the resulting distributions. Appendix C validates these measures using environmental data from the U.S. Environmental Protection Agency's Toxic Release Inventory.

$$CSR_f > CSR_{f'} \iff \forall x \in X:\ \text{CSR}_f(x) \geq \text{CSR}_{f'}(x) \wedge \exists x \in X:\ \text{CSR}_f(x) > \text{CSR}_{f'}(x) \quad (1)$$

$$\text{Rank}(\text{CSR}_f) = \sum_{f'} I(\text{CSR}_f > \text{CSR}_{f'}) - \sum_{f'} I(\text{CSR}_f < \text{CSR}_{f'}) \quad (2)$$

3.2.3 Uncovering CSR approaches

Figure 1 plots firms' substantive and symbolic CSR scores. The figure shows a consistent pattern across the three CSR approaches. Firms are classified as a substantive CSR cluster

[7] To be precise, we do not argue that policies or disclosure have no meaning or are meant solely to decouple from outcomes. By directly observing the consequences of such policies and disclosures through realized outcome measures, we can explicitly quantify their effects rather than assuming them. The distinction between symbolic and substantive CSR captures the degree to which formal commitments translate into realized outcomes, not whether those commitments are sincere. Note also that SEC Rule 14a-8 limits duplicate proposals on the same topic from appearing on the ballot in a given year. Our data includes filed, omitted, and withdrawn proposals. Multiple stakeholders can therefore target the same CSR issue.

in the top-left quadrant. They exhibit above-average substantive scores and below-average symbolic scores. This pattern indicates that these firms emphasize realized outcomes over communication.

Second, firms are classified as a symbolic CSR cluster in the bottom-right quadrant. They exhibit high symbolic scores and below-average substantive scores. This pattern reflects a focus on communication relative to realized outcomes and aligns with the concept of decoupling.

Finally, we find a cluster of compliance-oriented firms near the center. They exhibit moderate, balanced scores on both dimensions, reflecting a compliance-based approach. Overall, the observed distributions match theoretical distinctions among substantive, compliance-oriented, and symbolic CSR strategies (Durand, Hawn and Ioannou, 2019; Nardi, 2022).

The results remain stable across seven alternative specifications. First, we replicate the decomposition separately for each industry in Appendix B and observe the same three approaches. Second, we analyze reporting, policy, activity, target, controversy, and performance scores separately within each industry. The same structure emerges, which supports our classification of activity variables as symbolic. Third, we obtain similar results using a Gaussian mixture model instead of k-means. Fourth, the clustering persists after dimensionality reduction via principal component analysis. Fifth, we recover similar approaches when we cluster firms using only symbolic or only substantive CSR information. This pattern suggests a systematic relationship between symbolic and substantive engagement. Sixth, the results hold when we cluster on SASB immaterial indicators or on the full set of CSR indicators rather than only SASB material issues. Together, these tests show that firms adopt substantive, symbolic, and compliance-oriented CSR approaches. Finally, we replicate our results using a firm assignment to CSR approach based solely on substantive and symbolic CSR scores, without clustering analysis (see Appendix E).

3.2.4 Measuring heterogeneous stakeholder pressure

We assess heterogeneity in stakeholder pressure by examining the concentration of shareholder proposals across CSR issues and the stakeholders who file them. Stakeholders use proposals as a governance tool because the filing threshold is low ($2,000 in stock ownership) (Gantchev and

Giannetti, 2021). Proposals attract investor attention (Flammer, 2015) and inform managerial CSR decisions in core strategic decisions, such as physical asset formation (Van der Kroft et al., 2024). In our sample, the average firm-year ballot contains 2.6 proposals, with the most heavily targeted firms receiving more than 20, reflecting the wide variation in stakeholder pressure that our heterogeneity measures are designed to capture.

Shareholder pressure varies across CSR issues and stakeholder groups. Table I Panel A reports proposal frequencies across the nine largest CSR issue categories (human rights, water & agriculture, climate change exposure, greenhouse gas emissions, sustainability reporting, lobbying and political contributions, discrimination, public health, and DEI initiatives) and across stakeholder groups (religious organizations, unions, NGOs, individuals, corporations, socially responsible investment funds, mutual funds, pension funds, and other organizations). Proposals span 95.1% of CSR issue–stakeholder combinations, indicating broad dispersion in the pressure on CSR topics across stakeholder groups. We compute heterogeneity separately for these stakeholder groups and the approximately 250 CSR issues classified by ISS.

We measure heterogeneity as one minus the Herfindahl–Hirschman Index (HHI) across CSR issues and across stakeholder groups (Hirschman, 1964). The HHI equals the sum of squared group shares divided by the squared total number of proposals. Subtracting this value from one yields a measure of dispersion. Higher values indicate greater heterogeneity.

Let us illustrate this method with an example. Consider a firm that receives four proposals: two on labor rights, one on carbon emissions, and one on animal welfare. Its issue heterogeneity is

$$1 - \frac{2^2 + 1^2 + 1^2}{4^2} = 0.625.$$

If the firm instead receives nine labor rights proposals and one emissions proposal, heterogeneity equals

$$1 - \frac{9^2 + 1^2}{10^2} = 0.18.$$

The same logic applies to stakeholder groups.[8]

[8]SEC Rule 14a-8 limits duplicate proposals on the same topic from appearing on the ballot in a given year. Our data includes filed, omitted, and withdrawn proposals. Multiple stakeholders can therefore target the same CSR issue.

We validate the equal-weighting assumption embedded in our HHI measure using voting support data. Table I Panel B shows that average voting support is stable across issues and stakeholder types, ranging from 23.7% to 32.0% across groups and from 13.9% to 33.6% across issues, with a standard deviation of 9.5% across 81 issue–stakeholder combinations. Because voting support reflects the weight that investors and managers assign to proposals in practice, its stability across groups and issues indicates that our HHI-based heterogeneity measures are not systematically distorted by differential salience across proposal types. The equal-weighting assumption is therefore empirically supported rather than merely assumed.

4 Results

4.1 Heterogeneous pressure and CSR adoption

Hypotheses H_{1a} and H_{1b} predict that heterogeneous stakeholder pressure — across both issues and stakeholder groups — reduces the likelihood of substantive CSR adoption. Table II reports the results. Panel A presents OLS estimates and Panel B presents 2SLS estimates using shareholder proposal waves as an instrument for heterogeneous pressure.

Columns (1) to (4) of Panel A examine issue heterogeneity. Greater dispersion in the CSR issues raised by stakeholders consistently reduces the likelihood of substantive CSR adoption across all specifications. In the most conservative estimation, a one-standard-deviation increase in issue heterogeneity reduces the probability of substantive CSR adoption by 7.7 percentage points, equivalent to 18.0% of the sample mean. Columns (5) to (8) show parallel results for stakeholder heterogeneity. A one-standard-deviation increase reduces the probability of substantive CSR adoption by 7.5 percentage points, or 17.4% of the sample mean. Both effects are stable as we add manager controls, firm controls, and year and industry fixed effects, indicating that the relationship is not driven by observable differences in firm or managerial characteristics.[9]

[9]The reference category is firms that do not adopt substantive CSR. Most firms shift from substantive to symbolic CSR rather than to compliance. The results remain robust in logit models. We report linear probability models for ease of interpretation and because the average probability of substantive CSR adoption (42.8%) is sufficiently far from zero and one that the LPM approximation is reliable (Angrist and Pischke, 2009). The probit specification in Appendix E confirms that results are robust to this choice.

A key identification concern is that firms with weaker sustainability practices may attract more heterogeneous pressure, so that underlying CSR weaknesses drive both heterogeneity and lower substantive adoption simultaneously. We address this in two steps. First, all specifications include lagged heterogeneity measures and lagged substantive CSR scores, which account for contemporaneous CSR events that may affect both pressure and performance. Second, we instrument stakeholder heterogeneity using the shareholder proposal wave design developed by Flammer et al. (2019, 2021), exploiting coordinated campaigns in which activists submit nearly identical proposals across many firms simultaneously. Because wave proposals are less tied to firm-specific CSR performance, they provide variation in heterogeneous pressure that is plausibly exogenous to the firm's underlying CSR trajectory.

Table III confirms instrument strength. The first-stage F-statistics equal at least 82.4 for issue heterogeneity and 55.1 for stakeholder heterogeneity, both well above the weak-instrument threshold of 10 (Andrews et al., 2019). Panel B of Table II reports the second-stage results. The instrumented estimates are consistent with the OLS results throughout. In the most stringent specification, a one-standard-deviation increase in instrumented issue heterogeneity reduces substantive CSR adoption by 7.7 percentage points, and the corresponding effect for stakeholder heterogeneity is 12.9 percentage points. The alignment between OLS and 2SLS estimates supports a causal interpretation of the relationship between heterogeneous stakeholder pressure and substantive CSR adoption, consistent with H_{1a} and H_{1b}.

4.2 Collaboration and heterogeneous stakeholder pressure

Hypothesis H_2 predicts that collaboration among stakeholders attenuates the negative effect of stakeholder heterogeneity on substantive CSR adoption, but does not attenuate the negative effect of issue heterogeneity. This asymmetric prediction follows directly from the capacity-versus-incentive distinction: collaboration resolves the incommensurable benchmarks problem that drives stakeholder heterogeneity effects, but cannot dissolve the resource and attention constraints that drive issue heterogeneity effects. Table IV reports the results.

We define collaboration as an indicator equal to one when a firm receives a shareholder proposal jointly sponsored by multiple stakeholder groups. Such proposals represent pre-

reconciled demands: sponsors must align their positions before approaching the firm, replacing multiple divergent evaluative standards with a single unified one. Approximately 13% of proposals and 29% of firm-year observations in our sample involve collaborative sponsorship, indicating that coordination across stakeholder groups is empirically common rather than exceptional.

The results support H_2 precisely. Collaboration does not moderate the negative effect of issue heterogeneity on substantive CSR adoption: the interaction coefficients are small and statistically insignificant across all specifications, and the baseline effect of issue heterogeneity remains stable relative to Table II. This is consistent with our theoretical argument that collaboration operates on the incentive constraint and cannot expand the firm's capability base or free up the managerial attention required to engage deeply across multiple CSR domains simultaneously.

In contrast, collaboration significantly moderates the negative effect of stakeholder heterogeneity. The interaction coefficient is positive and significant across all specifications, with collaboration increasing the likelihood of substantive CSR adoption by 9.1 to 10.5 percentage points. In the most stringent specification, collaboration offsets approximately 1.36 standard deviations of stakeholder heterogeneity, an economically meaningful attenuation. This finding is consistent with the pre-reconciliation mechanism developed in Section 2.4: joint sponsorship consolidates divergent evaluative standards into a single unified demand, restoring the expected reputational and legitimacy returns to substantive adoption and shifting the firm's cost-benefit calculus back toward substantive engagement. The asymmetric pattern — collaboration moderating stakeholder heterogeneity but not issue heterogeneity — provides direct empirical support for the capacity-versus-incentive distinction and confirms that H_2 holds precisely as predicted.

4.3 Managerial and shareholder receptivity

Hypotheses H_{3a} and H_{3b} generate an asymmetric pattern of moderation that follows directly from the capacity-versus-incentive distinction. Managerial receptivity, which operates through the capacity channel, should moderate the negative effect of issue heterogeneity but not stakeholder heterogeneity. Shareholder receptivity, which operates through both channels simulta-

neously, should moderate both dimensions. Table V reports the results, with Panel A examining managerial receptivity and Panel B examining shareholder receptivity.

We measure managerial receptivity as the share of shareholder proposals that management withdraws — indicating voluntary adoption before a vote — relative to the sum of withdrawn and omitted proposals in prior ballots. The measure equals one when management withdraws all relevant proposals and omits none, and zero when management omits all and withdraws none. Higher values indicate greater willingness to engage substantively with stakeholder demands. We measure shareholder receptivity as the average past voting support for shareholder proposals, capturing the degree to which the firm's investor base consistently signals support for CSR initiatives.[10]

Panel A confirms the selective moderating reach of managerial receptivity predicted by H_{3a}. The interaction between managerial receptivity and issue heterogeneity is positive and significant across all specifications. In the most stringent specification, a one-standard-deviation increase in managerial receptivity offsets 41.3% of the negative effect of issue heterogeneity on substantive CSR adoption.[11] Receptive managers sustain substantive CSR under fragmented issue demands by treating diverse demands as credible signals warranting resource allocation rather than as justification for symbolic responses, directly attenuating the capacity constraint identified in Section 2.2.

In contrast, the interaction between managerial receptivity and stakeholder heterogeneity is small and statistically insignificant across all specifications. This null result is theoretically informative: it confirms that managerial willingness to allocate resources cannot reconstruct the evaluative consensus that divergent stakeholder standards destroy. Even a highly receptive manager cannot generate reputational and legitimacy returns from stakeholders holding incommensurable positions, leaving the incentive constraint that drives stakeholder heterogeneity effects intact. The asymmetric pattern across the two interactions — managerial receptivity moderating issue heterogeneity but not stakeholder heterogeneity — provides direct empirical support for H_{3a}.

[10]Because some proposals do not reach a vote, the shareholder receptivity measure reduces the sample by 12.0%.

[11]In Column (4), we multiply the interaction coefficient (0.473) by the standard deviation of managerial receptivity (0.276) and divide by the baseline effect of lagged issue heterogeneity (-0.316), i.e., $\frac{0.473 \times 0.276}{0.316} = 41.3\%$.

Panel B examines shareholder receptivity and confirms the broader moderating reach predicted by H_{3b}. Unlike managerial receptivity, shareholder receptivity moderates both dimensions of heterogeneous pressure. The interaction between shareholder receptivity and issue heterogeneity is positive and significant across all specifications: a one-standard-deviation increase in shareholder receptivity offsets 35.9% of the negative effect of issue heterogeneity on substantive CSR adoption.[12] The interaction between shareholder receptivity and stakeholder heterogeneity is similarly positive and significant: a one-standard-deviation increase offsets 34.3% of the negative effect of stakeholder heterogeneity.[13]

These findings are consistent with the dual-channel mechanism developed in Section 2.5. Through the incentive channel, consistent shareholder support partially compensates for the dilution of external stakeholder endorsement when incompatible positions make universal satisfaction impossible, restoring the expected returns to substantive adoption. Through the capacity channel, strong shareholder support grants managers the organizational latitude to bear the costs of substantive engagement across heterogeneous demands without facing pressure to prioritize near-term financial returns. The full asymmetric pattern across Panels A and B — managerial receptivity moderating only issue heterogeneity, shareholder receptivity moderating both — constitutes the sharpest empirical test of the capacity-versus-incentive distinction and provides direct support for H_{3b}.

4.4 CSR performance consequences

The preceding results establish that heterogeneous stakeholder pressure shifts firms away from substantive CSR adoption. A distinct but related question is whether this shift translates into measurable deterioration in the environmental and social outcomes that stakeholders ultimately care about. If heterogeneous pressure drives firms toward symbolic responses, we should observe a widening gap between formal CSR commitments — policies, targets, and reporting frameworks — and realized outcomes and controversies. Table VI examines this prediction directly, reporting the effects of both issue and stakeholder heterogeneity on symbolic indicators (Panels A and B) and substantive indicators (Panels C and D) separately.

[12] For issue heterogeneity in Column (4), we compute $\frac{0.819 \times 0.203}{0.463} = 35.9\%$.

[13] For stakeholder heterogeneity in Column (8), we compute $\frac{0.783 \times 0.203}{0.464} = 34.3\%$.

Panels A and B show that heterogeneous pressure — across both issues and stakeholder groups — consistently increases the likelihood that firms adopt formal CSR policies. Issue heterogeneity increases policy adoption by 11.6 to 36.7 percentage points across the eight policy domains examined, with the largest effects on emission reduction policies (36.7 percentage points) and environmental supply chain management (29.5 percentage points). Stakeholder heterogeneity shows comparable effects, ranging from 11.0 percentage points for health and safety policies to 38.9 percentage points for emission reduction policies. Firms facing more dispersed stakeholder demands expand their formal CSR commitments across all domains examined.

Panels C and D reveal the other side of this pattern. Despite the expansion in formal policy commitments documented in Panels A and B, realized environmental and social outcomes deteriorate under heterogeneous pressure. Issue heterogeneity predicts higher volatile organic compound and particulate matter emissions, more workplace accidents, lower employee satisfaction, and greater controversies over wage and working conditions and consumer complaints. Stakeholder heterogeneity shows a similar pattern, predicting more environmental controversies, higher emissions, more workplace accidents, and greater wage, working condition, and consumer complaint controversies.

Taken together, the results in Table VI reveal a systematic widening of the gap between formal CSR commitments and realized outcomes under heterogeneous pressure. Firms adopt more policies while simultaneously performing worse on the environmental and social dimensions those policies are meant to address. This policy–outcome divergence is the defining characteristic of symbolic management (Bromley and Powell, 2012; Crilly et al., 2016) and confirms that the shift away from substantive CSR adoption documented in Section 4.1 has material consequences for the stakeholders whose demands originally generated the pressure. Heterogeneous stakeholder pressure does not merely redirect firm behavior toward less ambitious CSR responses — it actively widens the gap between what firms commit to and what they

deliver.[14]

4.5 Financial performance consequences

The symbolic management literature suggests that the costs of decoupling are not borne exclusively by non-shareholding stakeholders through worsened environmental and social outcomes, but may extend to investors through reduced financial returns (Durand, Hawn and Ioannou, 2019; Philippe and Durand, 2011; Zavyalova et al., 2012, 2016). When pressure diverges across CSR issues, managers divide attention across competing priorities, reducing the strategic coherence of CSR investments (Ocasio and Joseph, 2005). When pressure diverges across stakeholder groups, reputational gains may weaken because firms satisfy fewer groups simultaneously. We therefore expect heterogeneous stakeholder pressure to be associated with lower subsequent financial performance, though the two dimensions may differ in the strength and consistency of this association given their distinct underlying mechanisms. Table VII reports the results.

We measure financial performance using excess stock returns, Fama and French (1993) three-factor alphas, and Fama and French (2015) five-factor alphas, estimated using firm-level rolling regressions on Kenneth French's factor returns over a three-year window.[15] All specifications include the full set of manager and firm controls along with year and industry fixed effects.

Issue heterogeneity predicts lower subsequent financial performance in several specifications. A one-standard-deviation increase in issue heterogeneity reduces annualized excess returns by 1.45% and three-factor alphas by 0.80%. The estimate becomes smaller and statis-

[14]We use *symbolic management* and *decoupling* as related but distinct concepts. Decoupling in the institutional theory literature refers to the deliberate adoption of formal practices that are not implemented, typically to satisfy external legitimacy demands while preserving internal operational efficiency (Meyer and Rowan, 1977; Bromley and Powell, 2012). Symbolic management is the broader category: it encompasses decoupling but also includes cases where formal commitments genuinely fail to translate into outcomes because of resource constraints, managerial attention limits, or incentive misalignment rather than deliberate non-implementation (Crilly et al., 2016). Our empirical measure captures the policy–outcome gap directly — firms that adopt more policies while performing worse on realized outcomes — without requiring us to identify whether the gap reflects deliberate decoupling or the capacity and incentive failures our theory identifies. The heterogeneous pressure mechanism we document is consistent with both interpretations but adds a structural, demand-side explanation for why the gap arises that prior decoupling research has not identified.

[15]Factor-adjusted alphas provide a risk-adjusted measure of performance. We estimate firm-level alphas by regressing equally weighted USD stock returns on Kenneth French's factor returns using a three-year rolling window (Fama and French, 2015). We winsorize all measures at the 5th and 95th percentiles.

tically insignificant in the five-factor model, suggesting that part of the financial underperformance associated with issue heterogeneity is captured by systematic risk factors. Stakeholder heterogeneity does not show a consistent association with financial performance across any of the three measures.

The difference in financial performance effects across the two dimensions of heterogeneity is theoretically interpretable rather than simply a null result. Issue heterogeneity fragments managerial attention and organizational resources across competing CSR priorities, reducing the strategic coherence of investment decisions in ways that are likely to affect firm value directly. Stakeholder heterogeneity, by contrast, operates primarily through the incentive constraint: it dilutes reputational returns and shifts firms toward symbolic responses, but does not necessarily fragment the firm's investment strategy in ways that reduce financial performance independently of the CSR channel. The financial costs of stakeholder heterogeneity may therefore be indirect and longer-term, manifesting through the worsened environmental and social outcomes documented in Section 4.4 rather than through immediate stock return effects that factor models can detect.

Taken together, the financial performance results suggest that the costs of heterogeneous stakeholder pressure are distributed unevenly across stakeholders. Non-shareholding stakeholders bear costs through worsened environmental and social outcomes under both dimensions of heterogeneity. Investors bear additional costs through reduced returns under issue heterogeneity, where the capacity constraint fragments investment decisions in ways that affect firm value directly. This asymmetric cost distribution is itself a theoretical implication of the capacity-versus-incentive distinction and reinforces the importance of treating the two dimensions of heterogeneous pressure as operating through genuinely distinct mechanisms.

5 Discussion & Conclusion

Stakeholder pressure does not operate as a uniform force. It is a configuration of demands that varies in its degree of alignment and dispersion across issues and stakeholder groups, and it is this configuration — not the volume or intensity of individual demands — that determines

whether pressure translates into substantive firm responses. The capacity and incentive constraints we identify operate through distinct channels, generate asymmetric predictions about the moderating conditions that attenuate each, and are confirmed empirically in ways that prior configurational frameworks, which treat heterogeneous pressure as a unified signal, cannot produce. We develop the theoretical and empirical implications of these findings below.

Theoretical contributions

The capacity-versus-incentive distinction advances stakeholder theory in a precise way. Prior work has established that stakeholder pressure can shift managerial decisions toward substantive CSR by altering the profitability of different responses (Durand, Hawn and Ioannou, 2019; Oliver, 1991; Pache and Santos, 2010). This logic assumes that pressure is sufficiently coherent — concentrated enough across issues and aligned enough across stakeholder groups — to generate a clear signal about what substantive adoption requires and what it will return. Our framework shows that this assumption fails under heterogeneous pressure, and that it fails in two different ways depending on which dimension of heterogeneity dominates. When pressure is dispersed across issues, the signal about what to do is clear enough, but the organizational capacity to act on it is not. When pressure is dispersed across stakeholder groups, the organizational capacity may be adequate, but the signal about what substantive adoption will return is not. These are different organizational problems that require different solutions, and conflating them — as prior frameworks implicitly do — leads to incorrect predictions about when and how heterogeneous pressure can be attenuated.

The asymmetric moderation findings make this point concretely. Stakeholder collaboration attenuates the incentive constraint by resolving evaluative incommensurability before it reaches the firm, but cannot expand the firm's capability base or free up managerial attention. Managerial receptivity attenuates the capacity constraint by raising the baseline willingness to invest across fragmented demands, but cannot generate reputational returns from stakeholders holding incompatible positions. Shareholder receptivity attenuates both, because investor support simultaneously restores expected returns and grants managers the organizational latitude to bear the costs of substantive engagement. A framework that treats heterogeneous pressure as

a unified signal cannot generate these distinctions: it would predict either that all three moderators attenuate heterogeneity effects equally, or that none of them do. The observed asymmetry is only derivable from the capacity-versus-incentive distinction, which is why it constitutes the paper's strongest evidence for the theoretical framework rather than merely for the individual hypotheses.

Positioning against prior work

Our framework speaks directly to five streams of prior configurational research and clarifies what each leaves open. Kassinis and Vafeas (2006) show that community pressure predicts lower toxic emissions, establishing that stakeholder pressure can drive substantive environmental performance. Our findings extend this by showing that the relationship between pressure and substantive performance is contingent on the composition of the demand portfolio: firms facing more dispersed pressure expand formal policy commitments rather than improving realized outcomes, a dynamic that a focus on pressure intensity alone cannot capture. Helmig et al. (2016) show that primary stakeholder pressure drives CSR implementation directly, and that secondary activists amplify this effect through coalition-building with primary institutional investors. We identify a complementary boundary condition: heterogeneity across issues or groups pushes firms toward symbolic adoption even when aggregate pressure is high, and the coalition-building that Helmig et al. describe — which we capture through collaborative co-sponsorship — attenuates stakeholder heterogeneity effects specifically because it resolves the incentive constraint, not because it amplifies pressure intensity.

Lee (2011) argues that aligned stakeholder pressure moves firms toward substantive CSR adoption by generating coherent managerial signals that concentrate resources and attention on a shared set of priorities. Our framework explains the complementary failure mode: fragmented pressure fails to generate the coherent signal managers need to commit resources substantively, and does so through two distinct mechanisms — capacity fragmentation and incentive dilution — that Lee's alignment framework does not distinguish. Li et al. (2018) show that political and economic stakeholder influence can be antagonistic through organizational rigidity, identifying a supply-side constraint on firm responsiveness. We identify a demand-side complement: even

without organizational rigidity, the simultaneous arrival of heterogeneous demands dilutes the incentives for substantive adoption by rendering evaluative standards incommensurable. The two mechanisms are additive rather than alternative, and empirical settings that exhibit both organizational rigidity and demand heterogeneity should show the strongest symbolic management effects. Colleoni et al. (2024) argue that heterogeneous convergence around digital frames generates meaningful pressure even without a unified demand, suggesting that digitally mediated, individualized action — which they term connective action following Bennett and Segerberg (2013) — can substitute for the coordinated collective pressure that prior work emphasized. Our findings qualify this optimism: pressure generated through heterogeneous convergence may be more effective at triggering symbolic management than genuine organizational change, precisely because it does not resolve the evaluative incommensurability that drives the incentive constraint. The collaborative co-sponsorship we identify as attenuating stakeholder heterogeneity effects represents a structured analogue to connective action, but one that requires pre-reconciliation of demands rather than merely convergent framing.

Heterogeneous pressure and the policy–outcome gap

Our findings connect heterogeneous stakeholder pressure to the symbolic management and decoupling literatures in a way that prior work has not established. Research on decoupling documents that firms frequently adopt formal CSR commitments without implementing corresponding organizational change (Bromley and Powell, 2012; Crilly et al., 2016), but has not systematically identified what drives the gap between commitment and outcome at the level of the demand portfolio. Our results show that heterogeneous pressure is a systematic driver of this gap: firms under fragmented demands adopt more policies while simultaneously performing worse on realized environmental and social outcomes, widening the commitment-outcome divergence that is the defining characteristic of symbolic management. This finding reframes the policy-outcome gap as a structural consequence of how stakeholder demands are organized rather than as a firm-level characteristic or a deliberate managerial strategy. It suggests that reducing the gap between CSR commitment and CSR outcomes requires attention to the configuration of the demand portfolio, not only to the strength of individual demands or the

integrity of individual managers.

The financial performance results reinforce this interpretation. Issue heterogeneity predicts lower subsequent financial returns in several specifications, suggesting that the costs of fragmented pressure are borne not only by non-shareholding stakeholders through worsened environmental and social outcomes, but also by investors through reduced returns. The null result for stakeholder heterogeneity on financial performance is theoretically interpretable rather than simply absent: stakeholder heterogeneity operates primarily through the incentive constraint, diluting reputational returns and shifting firms toward symbolic responses, but does not necessarily fragment investment decisions in ways that reduce firm value directly. Its financial costs are more likely to be indirect and longer-term, manifesting through the worsened outcomes documented in Section 4.4 rather than through immediate stock return effects. This asymmetric cost distribution across the two dimensions of heterogeneity is itself a theoretical implication of the capacity-versus-incentive distinction.

Implications for stakeholder practice

Our findings generate theory-driven implications for stakeholders seeking to influence firm behavior. Because heterogeneous pressure constrains firms through both capacity limitations and incentive dilution, stakeholders can increase their effectiveness by shaping how their demands are organized rather than simply how intensely they press. First, coordination across stakeholders — through joint proposals or pre-filing coalition formation — reduces demand-side ambiguity by aligning expectations and concentrating evaluative pressure on a shared set of priorities. This directly addresses the incentive constraint: a firm that receives a consolidated demand can identify with precision which substantive response will generate sufficient endorsement to justify investment. The attenuation effect we document for collaborative co-sponsorship suggests that even partial coordination — aligning two or three stakeholder groups rather than achieving universal consensus — generates meaningful improvements in substantive adoption. Second, targeting firms with receptive managers or supportive shareholder bases can help overcome resource and attention constraints, as these firms are more likely to treat diverse demands as credible signals warranting resource allocation rather than as justification

for symbolic responses. Stakeholders can identify such firms through their historical proposal handling — the withdrawal-to-omission ratio we use as our managerial receptivity measure is publicly observable from SEC filings — and concentrate pressure there rather than dispersing efforts across firms with lower receptivity. Third, structuring demands sequentially rather than simultaneously allows firms to engage more deeply with each issue over time, relaxing the capacity constraint that simultaneous dispersion creates. Together, these implications highlight that stakeholder influence depends not only on the amount of pressure exerted but also on how that pressure is coordinated, targeted, and temporally structured.

Limitations and future research

Three limitations of this study warrant explicit engagement. First, we measure heterogeneous stakeholder pressure using shareholder proposals, which capture only the subset of stakeholder demands that are formalized through the SEC filing process. Other forms of stakeholder engagement — media activism, regulatory advocacy, consumer campaigns, and employee voice — may generate different configurations of heterogeneous pressure and may interact with formal proposal pressure in ways our setting cannot identify. Future research could examine whether the capacity and incentive constraints we identify operate similarly when pressure arrives through informal channels, or whether the observability and formality of shareholder proposals are themselves part of what makes the mechanism tractable. The shareholder proposal setting also implies a sample restricted to firms that are already on activists' radars, which limits generalizability to firms that attract little or no organized stakeholder attention. Our 2SLS strategy using proposal waves addresses the endogeneity of heterogeneous pressure within the sample but does not resolve the selection of firms into the sample itself.

Second, our analysis focuses exclusively on US firms, where the SEC Rule 14a-8 filing threshold is low enough that proposals reflect a genuinely diverse set of actors. Firms in other regulatory environments face higher shareholding requirements that make multiple simultaneous proposals at a single meeting uncommon, which would attenuate the heterogeneity variation our measures rely on. Whether the capacity-versus-incentive distinction generalizes to non-US settings — where stakeholder pressure may arrive through different mechanisms and

where mandatory CSR disclosure regimes may alter the relative attractiveness of symbolic versus substantive responses — is an open question that cross-national research could address. The theoretical mechanisms we identify do not depend on the shareholder proposal setting per se, but empirical tests in other settings will require different measures of observable simultaneous stakeholder pressure.

Third, our empirical design captures a cross-sectional snapshot of heterogeneous pressure at the firm-year level and cannot speak to how heterogeneity evolves over time, how stakeholder agendas shift in response to firm behavior, or how coalitions form and dissolve across proposal cycles. The dynamic version of our argument — in which firms and stakeholders learn from prior interactions and adjust their strategies accordingly — is theoretically important but empirically underexplored. Future research could exploit longitudinal variation in heterogeneity within firms over time to examine whether sustained exposure to heterogeneous pressure produces organizational adaptations that partially relax the capacity constraint, or whether the incentive constraint is more persistent because it depends on the external stakeholder landscape rather than internal organizational choices.

Conclusion

This paper shows that the effectiveness of stakeholder pressure depends on its configuration, not merely its intensity. When demands are dispersed across CSR issues, resource and attention fragmentation limits substantive adoption regardless of how forcefully individual stakeholders press. When demands are dispersed across stakeholder groups, evaluative incommensurability dilutes the returns to substantive adoption regardless of the aggregate level of pressure. Both constraints push firms toward symbolic management, but through different channels that respond to different organizational and stakeholder-level conditions. By shifting analytical attention from the characteristics of individual stakeholder demands to the configuration of the full demand portfolio, this framework clarifies how the structure of simultaneous pressure shapes the feasibility of substantive CSR adoption — and why more pressure does not always produce more change.

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Table I: Summary Statistics

Table I Panels A and B provide information on the heterogeneity in shareholder proposals across issues and stakeholders. We use ISS classifications of proponents and CSR issues, and display the frequency (Panel A) and support at the vote (Panel B) for the 9 shareholder groups and the most common CSR issues. Dashes indicate no observations in a combination of stakeholders and CSR issues. Panel C presents summary statistics for the main variables in this paper, which are directly used in the regression analyses. Return on assets is winsorized at the 5th and 95th percentiles. Leverage is set to the smallest non-negative number when it is negative (a few smaller firms have negative equity).

Panel A: Frequency of proposals

		CSR Issues									
		Human Rights	Water & Agriculture	Climate Change	GGH Emissions	Sustainability Reporting	Lobbying	Discrimination	Public Health	DEI	Total
Stakeholder groups	Religious	2.29%	1.15%	1.69%	1.42%	0.95%	3.81%	0.31%	0.54%	0.29%	12.45%
	Union	0.35%	-	0.23%	0.04%	0.23%	2.60%	-	-	0.10%	3.55%
	NGO	0.33%	0.80%	1.30%	1.07%	0.16%	0.47%	-	0.52%	1.01%	5.67%
	Individual	0.58%	0.29%	1.11%	0.56%	0.19%	2.76%	0.12%	0.49%	0.19%	6.29%
	Other Company	0.06%	0.06%	0.45%	0.29%	0.21%	0.37%	-	0.06%	0.60%	2.10%
	SRI fund	1.07%	1.98%	1.48%	1.90%	2.99%	6.12%	1.46%	0.60%	1.09%	18.70%
	Mutual Fund	1.28%	2.47%	2.23%	2.74%	3.90%	8.70%	1.69%	0.76%	1.44%	25.21%
	Pension Fund	0.87%	0.45%	0.62%	1.59%	2.00%	7.22%	2.70%	0.12%	0.99%	16.55%
	Other	0.49%	0.60%	1.20%	1.22%	0.60%	4.08%	0.37%	0.29%	0.64%	9.48%
	Total	7.76%	7.09%	9.99%	10.68%	10.50%	37.85%	6.71%	3.41%	6.01%	100.00%

Panel B: Proposal voting support

		CSR Issues									
		Human Rights	Water & Agriculture	Climate Change	GGH Emissions	Sustainability Reporting	Lobbying	Discrimination	Public Health	DEI	Total
Stakeholder groups	Religious	17.66%	19.10%	27.89%	21.97%	24.81%	26.64%	18.15%	22.80%	27.28%	23.72%
	Union	13.90%	-	7.82%	52.89%	33.16%	27.43%	-	-	21.73%	26.34%
	NGO	12.68%	23.80%	24.53%	35.03%	7.42%	23.86%	-	21.53%	43.87%	26.21%
	Individual	10.79%	21.74%	22.29%	21.79%	14.82%	28.21%	3.15%	12.74%	30.43%	23.23%
	Other Company	9.14%	6.80%	32.95%	33.88%	28.22%	27.29%	-	17.68%	47.03%	32.02%
	SRI fund	7.10%	22.68%	23.21%	25.29%	28.37%	24.09%	36.78%	15.16%	28.75%	23.69%
	Mutual Fund	10.26%	24.35%	24.81%	28.09%	27.88%	25.42%	37.45%	16.00%	32.06%	25.26%
	Pension Fund	18.36%	22.34%	30.66%	28.24%	24.33%	27.34%	32.65%	5.55%	32.91%	27.48%
	Other	16.51%	18.61%	29.10%	28.64%	34.41%	29.68%	22.58%	11.74%	32.79%	28.00%
	Total	13.92%	21.97%	26.58%	26.93%	26.45%	26.69%	29.86%	15.35%	33.64%	25.50%

Panel C: Summary Statistics

Variable Name	Mean	s.d.	Min	Max	N
Key measures					
Number of Proposals per Ballot	2.57	2.43	1.00	27.00	785
Substantive CSR adoption	42.80%	49.51%	0.00%	100%	785
Heterogeneity Issues$_{t-1}$	29.95%	33.13%	0.00%	94.00%	785
Heterogeneity Stakeholders$_{t-1}$	29.54%	31.14%	0.00%	86.00%	785
Collaboration & Receptivity					
Collaboration$_{t-1}$	28.66%	63.14%	0.00%	100.00%	785
Shareholder receptivity$_{t-1}$	36.90%	20.29%	1.00%	98.36%	785
Managerial receptivity$_{t-1}$	27.56%	27.61%	0.00%	100.00%	691
Managerial Controls					
CEO age$_{t-1}$	57.47	6.54	30.00	80.00	785
CEO tenure$_{t-1}$	9.72	4.48	1.00	20.00	785
CEO gender$_{t-1}$	97.20%	16.52%	0.00%	100.00%	785
CEO share of salary compensation$_{t-1}$	14.43%	15.12%	0.00%	100.00%	785
Firm Controls					
Firm size$_{t-1}$	23.12	1.66	14.52	26.32	785
Firm leverage$_{t-1}$	2.20	3.53	0.03	27.02	785
Firm ROA$_{t-1}$	6.44%	5.95%	-8.17%	17.86%	785

Table II: Heterogeneous stakeholder pressure and substantive CSR adoption

Table II reports the effect of heterogeneous stakeholder pressure across issues and stakeholder groups on the probability of substantive CSR adoption, using an OLS specification (Panel A) and a 2SLS specification instrumenting heterogeneous pressure with shareholder proposal waves (Panel B). Columns (1) to (4) examine heterogeneity across CSR issues and Columns (5) to (8) examine heterogeneity across stakeholder groups. Heterogeneity is measured as one minus the Herfindahl-Hirschman Index (HHI) computed separately across issues and stakeholder groups for each firm-year. We employ increasingly stringent controls: Columns (2) add manager controls including lagged CEO age, gender, tenure, and salary over total compensation; Columns (3) add firm controls including lagged size (log total assets), return on assets, leverage, and firm age; Columns (4) add year and industry fixed effects. All specifications include firms' lagged substantive CSR scores. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: OLS

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.307**	-0.306***	-0.231***	-0.233***				
	(0.121)	(0.113)	(0.089)	(0.074)				
Heterogeneity Stakeholders$_{t-1}$					-0.311***	-0.310***	-0.232***	-0.240***
					(0.105)	(0.093)	(0.064)	(0.043)
Substantive CSR score$_{t-1}$	0.045***	0.042***	0.038***	0.026	0.047***	0.044***	0.039***	0.028
	(0.013)	(0.013)	(0.009)	(0.018)	(0.015)	(0.015)	(0.011)	(0.020)
Observations	785	785	785	785	785	785	785	785
Adjusted R-squared	0.087	0.098	0.127	0.202	0.083	0.095	0.126	0.202
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Panel B: Proposal Wave 2SLS

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.444***	-0.422***	-0.309***	-0.235***				
	(0.146)	(0.124)	(0.114)	(0.091)				
Heterogeneity Stakeholders$_{t-1}$					-0.713***	-0.678***	-0.529***	-0.416***
					(0.169)	(0.139)	(0.137)	(0.134)
Substantive CSR score$_{t-1}$	0.041***	0.039***	0.036***	0.026*	0.037***	0.035***	0.034***	0.024
	(0.010)	(0.010)	(0.007)	(0.014)	(0.012)	(0.012)	(0.009)	(0.015)
Observations	785	785	785	785	785	785	785	785
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Table III: Instrument strength: first-stage results

Table III reports first-stage regressions testing the strength of the shareholder proposal wave instrument. Panel A uses heterogeneity across issues as the dependent variable and Panel B uses heterogeneity across stakeholder groups. We employ increasingly stringent controls: Columns (2) add manager controls including lagged CEO age, gender, tenure, and salary over total compensation; Columns (3) add firm controls including lagged size (log total assets), return on assets, leverage, and firm age; Columns (4) add year and industry fixed effects. All specifications include firms' lagged substantive CSR scores. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Heterogeneity Issues$_{t-1}$				
Variables	(1)	(2)	(3)	(4)
Proposal Wave$_{t-1}$	0.227***	0.227***	0.196***	0.193***
	(0.025)	(0.022)	(0.017)	(0.014)
Substantive CSR score$_{t-1}$	-0.028	-0.029	-0.021	-0.024
	(0.015)	(0.016)	(0.020)	(0.021)
Observations	785	785	785	785
Adjusted R-squared	0.134	0.130	0.230	0.280
F-statistic	82.4	82.4	82.4	82.4
Manager controls	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes

Panel B: Heterogeneity Stakeholders$_{t-1}$				
Variables	(1)	(2)	(3)	(4)
Proposal Wave$_{t-1}$	0.141***	0.141***	0.114***	0.109***
	(0.019)	(0.019)	(0.015)	(0.009)
Substantive CSR score$_{t-1}$	-0.024	-0.023	-0.017	-0.017
	(0.012)	(0.013)	(0.016)	(0.021)
Observations	785	785	785	785
Adjusted R-squared	0.068	0.065	0.137	0.179
F-statistic	55.1	55.1	55.1	55.1
Manager controls	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes

Table IV: Collaboration and heterogeneous stakeholder pressure

Table IV reports the moderating role of stakeholder collaboration on the relationship between heterogeneous stakeholder pressure and substantive CSR adoption. We define collaboration as an indicator variable equal to one when a firm receives a shareholder proposal jointly sponsored by multiple stakeholder groups. Such proposals represent pre-reconciled demands: sponsors must align their positions before approaching the firm, replacing multiple divergent evaluative standards with a single unified one. Columns (1) to (4) examine heterogeneity across CSR issues and Columns (5) to (8) examine heterogeneity across stakeholder groups. Heterogeneity is measured as one minus the Herfindahl-Hirschman Index (HHI) computed separately across issues and stakeholder groups for each firm-year. We employ increasingly stringent controls: Columns (2) add manager controls including lagged CEO age, gender, tenure, and salary over total compensation; Columns (3) add firm controls including lagged size (log total assets), return on assets, leverage, and firm age; Columns (4) add year and industry fixed effects. All specifications include firms' lagged substantive CSR scores. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.310**	-0.307***	-0.235**	-0.239***				
	(0.123)	(0.117)	(0.096)	(0.078)				
Heterogeneity Stakeholders$_{t-1}$					-0.395***	-0.388***	-0.307***	-0.326***
					(0.145)	(0.133)	(0.104)	(0.068)
Collaboration$_{t-1}$	0.007	0.002	0.012	0.016	0.105**	0.099**	0.091**	0.102***
	(0.010)	(0.012)	(0.019)	(0.011)	(0.046)	(0.046)	(0.041)	(0.024)
Substantive CSR score$_{t-1}$	0.045***	0.042***	0.038***	0.026	0.047***	0.044***	0.039***	0.028
	(0.013)	(0.013)	(0.009)	(0.018)	(0.015)	(0.014)	(0.010)	(0.020)
Observations	785	785	785	785	785	785	785	785
Adjusted R-squared	0.085	0.097	0.126	0.201	0.087	0.098	0.129	0.206
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Table V: Managerial and shareholder receptivity and heterogeneous stakeholder pressure

Table V reports the moderating roles of managerial receptivity (Panel A) and shareholder receptivity (Panel B) on the relationship between heterogeneous stakeholder pressure and substantive CSR adoption. We measure managerial receptivity as the share of prior shareholder proposals that management withdraws — indicating voluntary adoption before a vote — relative to the sum of withdrawn and omitted proposals. Higher values indicate greater willingness to engage substantively with stakeholder demands. We measure shareholder receptivity as the average past voting support for shareholder proposals, capturing the degree to which the firm's investor base consistently signals support for CSR initiatives. Columns (1) to (4) examine heterogeneity across CSR issues and Columns (5) to (8) examine heterogeneity across stakeholder groups. We employ increasingly stringent controls: Columns (2) add manager controls including lagged CEO age, gender, tenure, and salary over total compensation; Columns (3) add firm controls including lagged size (log total assets), return on assets, leverage, and firm age; Columns (4) add year and industry fixed effects. All specifications include firms' lagged substantive CSR scores. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Managerial receptivity

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.413**	-0.431***	-0.355***	-0.316***				
	(0.168)	(0.153)	(0.127)	(0.111)				
Heterogeneity Stakeholders$_{t-1}$					-0.362**	-0.375**	-0.277**	-0.285**
					(0.160)	(0.147)	(0.116)	(0.118)
Heterogeneity Issues$_{t-1}$ X Managerial receptivity$_{t-1}$	0.622**	0.726***	0.661***	0.473***				
	(0.251)	(0.221)	(0.181)	(0.143)				
Heterogeneity Stakeholders$_{t-1}$ X Managerial receptivity$_{t-1}$					0.282	0.345*	0.209	0.210
					(0.205)	(0.205)	(0.183)	(0.263)
Managerial receptivity$_{t-1}$	0.074*	0.077**	0.055*	0.071*	0.129***	0.131***	0.117***	0.108
	(0.041)	(0.035)	(0.030)	(0.042)	(0.048)	(0.040)	(0.039)	(0.077)
Substantive CSR score$_{t-1}$	0.044***	0.040***	0.037***	0.025	0.045***	0.042***	0.038***	0.026
	(0.013)	(0.013)	(0.009)	(0.019)	(0.015)	(0.014)	(0.011)	(0.020)
Observations	785	785	785	785	785	785	785	785
Adjusted R-squared	0.097	0.112	0.137	0.208	0.093	0.106	0.132	0.207
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Table V – continued

Panel B: Shareholder receptivity								
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.577**	-0.609**	-0.494**	-0.463**				
	(0.268)	(0.258)	(0.227)	(0.209)				
Heterogeneity Stakeholders$_{t-1}$					-0.554**	-0.584**	-0.458**	-0.464**
					(0.264)	(0.254)	(0.216)	(0.196)
Heterogeneity Issues$_{t-1}$ X Shareholder receptivity$_{t-1}$	1.056**	1.145***	0.937**	0.819**				
	(0.420)	(0.428)	(0.402)	(0.334)				
Heterogeneity Stakeholders$_{t-1}$ X Shareholder receptivity$_{t-1}$					0.945**	1.029**	0.817**	0.783**
					(0.434)	(0.445)	(0.417)	(0.361)
Shareholder receptivity$_{t-1}$	-0.056***	-0.098***	-0.088***	-0.025	-0.036	-0.075*	-0.067*	-0.032
	(0.020)	(0.022)	(0.017)	(0.042)	(0.052)	(0.045)	(0.038)	(0.064)
Substantive CSR score$_{t-1}$	0.040***	0.037***	0.035***	0.022	0.041***	0.038***	0.036***	0.023
	(0.012)	(0.012)	(0.008)	(0.015)	(0.013)	(0.013)	(0.009)	(0.016)
Observations	691	691	691	691	691	691	691	691
Adjusted R-squared	0.092	0.105	0.129	0.192	0.087	0.100	0.125	0.191
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Table VI: Heterogeneous stakeholder pressure and realized CSR performance

Table VI reports the effect of heterogeneous stakeholder pressure on firms' symbolic CSR indicators (Panels A and B) and substantive CSR indicators (Panels C and D). Panels A and C examine heterogeneity across CSR issues; Panels B and D examine heterogeneity across stakeholder groups. Panels A and B report effects on formal CSR policy adoption across eight domains: resource reduction, energy efficiency, environmental supply chain management, emission reductions, employee health and safety, human rights, training, and customer health and safety. Panels C and D report effects on realized environmental and social outcomes: environmental controversies, CO_2 emissions, volatile organic compound and particulate matter emissions, workplace accidents, employee satisfaction, wage and working condition controversies, and consumer complaint controversies. All specifications include manager and firm controls and year and industry fixed effects. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Symbolic indicators — Heterogeneity across issues

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variables	Resource red.	Energy eff.	Environmental SC	Emission	Health & Safety	Human Rights	Training	Customer Health & Safety
Heterogeneity Issues$_{t-1}$	21.83***	29.22***	29.48***	36.71***	11.58***	15.71**	13.66***	18.61***
	(6.54)	(1.63)	(1.38)	(3.41)	(2.77)	(6.44)	(0.24)	(6.95)
Mean dependent	69.55%	58.73%	42.93%	55.03%	77.71%	45.86%	67.90%	32.36%
Heterogeneity s.d.	0.331	0.331	0.331	0.331	0.331	0.331	0.331	0.331
Observations	785	785	785	785	785	785	785	785
Adjusted R-squared	0.11	0.17	0.21	0.16	0.07	0.27	0.13	0.16
Manager controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year + Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Symbolic indicators — Heterogeneity across stakeholder groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variables	Resource red.	Energy eff.	Environmental SC	Emission	Health & Safety	Human Rights	Training	Customer Health & Safety
Heterogeneity Stakeholders$_{t-1}$	22.57***	31.01***	32.60***	38.85***	11.01***	21.70**	18.43***	21.40***
	(7.32)	(4.24)	(5.53)	(3.72)	(2.42)	(9.09)	(2.82)	(5.47)
Mean dependent	69.55%	58.73%	42.93%	55.03%	77.71%	45.86%	67.90%	32.36%
Heterogeneity s.d.	0.311	0.311	0.311	0.311	0.311	0.311	0.311	0.311
Observations	816	816	816	816	816	816	816	816
Adjusted R-squared	0.10	0.15	0.16	0.12	0.05	0.22	0.10	0.14
Manager controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year + Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table VI – continued

Panel C: Substantive indicators — Heterogeneity across issues

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variables	Environmental con.	CO_2	VOC & PM	Accidents	Employee satisfaction	Wage/working controversies	Consumer complaints
Heterogeneity Issues$_{t-1}$	1.161*	0.217*	0.156***	0.161**	-0.030***	10.871***	8.977***
	(0.667)	(0.115)	(0.059)	(0.082)	(0.007)	(3.255)	(3.014)
Mean dependent	0.89%	-	18.34%	-	-	4.84%	5.10%
Heterogeneity s.d.	0.331	0.331	0.331	0.331	0.331	0.331	0.331
Observations	785	785	785	785	785	785	785
Adjusted R-squared	0.019	0.438	0.140	0.110	0.258	0.115	0.084
Manager controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year + Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel D: Substantive indicators — Heterogeneity across stakeholder groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variables	Environmental con.	CO_2	VOC & PM	Accidents	Employee satisfaction	Wage/working controversies	Consumer complaints
Heterogeneity Stakeholders$_{t-1}$	1.853***	0.283	0.127**	0.172**	0.013	9.092***	10.278**
	(0.712)	(0.184)	(0.063)	(0.071)	(0.020)	(1.543)	(4.438)
Mean dependent	0.89%	-	18.34%	-	-	4.84%	5.10%
Heterogeneity s.d.	0.311	0.311	0.311	0.311	0.311	0.311	0.311
Observations	785	785	785	785	785	785	785
Adjusted R-squared	0.021	0.448	0.135	0.111	0.257	0.107	0.087
Manager controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year + Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

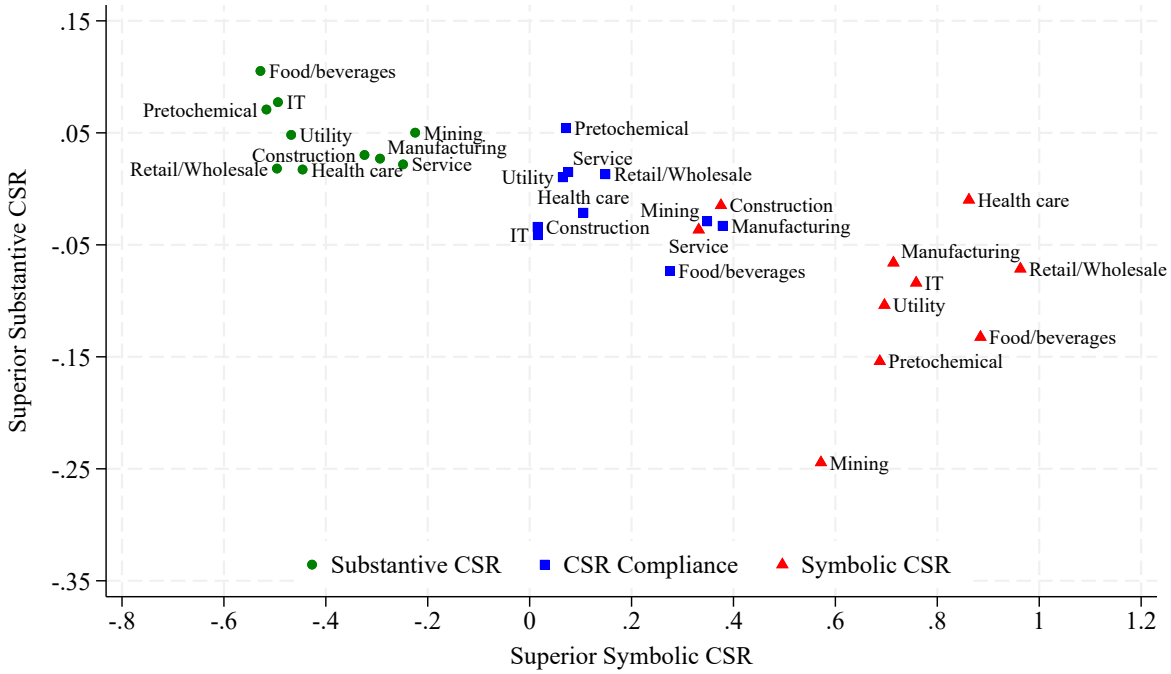
Table VII: Heterogeneous stakeholder pressure and financial performance

Table VII reports the effect of heterogeneous stakeholder pressure on subsequent financial performance. Columns (1) to (3) examine heterogeneity across CSR issues and Columns (4) to (6) examine heterogeneity across stakeholder groups. We measure financial performance using excess stock returns (Columns 1 and 4), Fama and French (1993) three-factor alphas (Columns 2 and 5), and Fama and French (2015) five-factor alphas (Columns 3 and 6). Factors and stock returns are in USD, equally weighted, and measured at the firm level. Alphas are estimated using a three-year rolling window of firm-level regressions on Kenneth French's factor returns. All specifications include manager and firm controls and year and industry fixed effects. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Variables	(1) Excess Return	(2) 3F Alpha	(3) 5F Alpha	(4) Excess Return	(5) 3F Alpha	(6) 5F Alpha
Heterogeneity Issues$_{t-1}$	-4.385***	-2.406***	-2.512*			
	(1.054)	(0.672)	(1.386)			
Heterogeneity Stakeholders$_{t-1}$				0.568	-0.875	-1.377
				(2.110)	(0.710)	(1.348)
Heterogeneity s.d.	0.331	0.331	0.331	0.311	0.311	0.311
Observations	782	782	782	782	782	782
Adjusted R-squared	0.390	0.145	0.130	0.389	0.142	0.127
Manager controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Year + Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Figure 1: CSR Approach Clustering

Figure 1 shows the CSR approaches of firms after clustering at the industry level. Superior substantive CSR captures how much better a firm performs regarding its substantive CSR score compared to the average firm in that industry. Superior symbolic CSR captures how much firms outperform their industry in terms of symbolic CSR scores. Dots represent industry means of these indicators, separately for substantive CSR firms, CSR compliance firms, and symbolic CSR firms.



Online Appendices

Appendix A Data cleaning and summary statistics

Since LSEG ESG captures CSR information from multiple sources, we must clean and format the data before applying it to our analysis. Specifically, we remove select variables with insufficient coverage or a too-specific use case and concatenate multiple data points capturing the same aspect of CSR. Correspondingly, we reduce the number of granular CSR variables from 466 to 169, approaching the strict selection procedure of LSEG, which retains 177 relevant variables.

We do not include granular CSR variables with less than 200 relevant observations (out of the 5,035), as including these variables would overrepresent the impact of outliers on our analysis. Many controversy variables, especially recent controversies, are incredibly narrow in scope, containing fewer than 50 observations. This includes recent controversies regarding the health and safety of customers and customers in general, responsible marketing, product access, business ethics, management team compensation, intellectual property, responsible R&D, anti-competition, wage working conditions, diversity, privacy, employee health and safety, critical countries, shareholder rights, insider trading, accounting, and tax fraud. Moreover, we also observe insufficient coverage for non-recent controversies related to human rights, child labor, environmental controversies in critical countries and critical countries in general, product access, freedom of association, and insider trading.

In addition to controversies, selected natural resource- and emission-related variables contain insufficient observations. This includes policies regarding the divestment of fossil fuel, indirect energy use, cement energy use, the supplied renewable energy, cement CO_2 emissions, internal carbon pricing per tonne, and in general, total hazardous $\frac{waste}{revenue}$, $\frac{waterpollutantemissions}{revenue}$ and fleet CO_2 emissions and fuel consumption.

Furthermore, we observe insufficient information regarding revenue from environmental products, equator principals or equator environmental projects, company cross shareholding, supply chain health and safety impairments, abortifacients, drug delays, FDA warning letters,

not approved drug, recent FDA warning letters, product delays, alcohol revenue, gambling revenue, tobacco revenue, armament revenue, employee resource groups, expanded constituency provisions, community lending and investment, the percentage of certified quality management systems and the production of cluster bombs, landmines and firearms, litigation expenses, fair price provision, energy produced directly, unlimited authorised capital, carbon offsetting credits, advance notice period, written consent requirements, non-audit / audit fees ratio, auditor tenure, golden parachute, water discharged total donations, earning restatement, profit warnings, ESM certificated (%), GMO products, iso 9k, training costs total, and HIV/aids programs.

We do not consider shareholder rights when identifying companies with similar CSR approaches. The CSR approach of a company should capture its sustainable performance that is not driven by the firm's interests nor required by law (McWilliams and Siegel, 2001). As shareholder rights are directly related to the company's interest, they do not align with this definition. Consequently, we do not consider shareholder rights policy, policy equal voting rights, policy shareholder engagement, different voting rights per share, equal shareholder rights, voting cap, voting cap (%), minimum number of shares to vote director election majority requirement, shareholder vote on executive positions, public availability corporate statement, veto power or golden shares, state-owned enterprise identifier, anti-takeover devices larger than two, percentage supermajority vote requirement, limited shareholder rights, elimination of cumulative voting, pre-emptive rights, confidential voting policy, limitation of director liability, shareholder approval significant, limitations on removal of director, or advance notice for shareholder propositions.

The Refinitv ESG database contains granular CSR information that measures the same underlying CSR component due to sourcing from multiple data entries. We compile such variables to improve data coverage and prevent overweighing specific aspects of CSR through various entries. However, not all CSR variables are of similar scope. For example, water recycled as a percentage of total water usage and water recycled in cubic meters measure the same underlying CSR components differ strongly in magnitude. To correct for this, we divide the total energy use, direct energy purchases, indirect energy use, electricity purchased, renewable energy purchased, total renewable energy use, renewable energy use, water withdrawal, fresh-

water withdrawal, water recycled, CO_2 equivalent emissions, direct CO_2 equivalent emissions, indirect CO_2 equivalent emissions, estimated CO_2 equivalent emissions, carbon offset credits, flaring gasses, total waste, non-hazardous waste, recycled waste, the water discharged, water pollutant emissions, environmental expenditures, environmental provisions, self-reported environmental fines, environmental R&D expenditures, salaries and wages, training costs, donations, community lending and investment, political contributions, and lobbying contributions by the total assets of the firm. Furthermore, to increase the comparability of granular CSR variables, we normalize all non-binary variables on an industry level and constrain them to five standard deviations from the mean.

After this reconstruction, we combine CSR variables regarding ISO 14000 or EMS classifications, estimated CO_2 emissions, waste recycling ratios, hazardous waste ratios, controversies concerning the responsible market, health and safety policies, employee health safety teams, lost time injury rates, salary gaps, environmental expenditures (due to investments), supply chain management activities, partnerships and investments in environmental initiatives, supply chain health safety policies, renewable energy, labeled wood, agrochemical revenue, anti-competition controversies, total waste to revenue, policy business ethics, animal testing, and human rights policies.

In addition, we include the identifiers for VOC and particulate matter emissions in their joint identifier to improve coverage. We append information about water withdrawal and freshwater usage to the total water. We combine information concerning total employee turnover, voluntary employee turnover, and involuntary turnover. We enhance training and development policies with information regarding skills training, management training, and career development, as they measure a similar aspect of CSR and are all endogenous to the firm. When information for the total number of training hours is missing, we use the average training hours per employee and the training costs as a replacement. We proxy missing net employment creation observations by the number of employees. We supplement women's information regarding new women employees or managers' data. We enhance the coverage of our policy on board diversity variable by including the percentage of the board or executive gender or cultural diversity. We reduce the number of missing observations for the contractor injury rate by

introducing contractor accidents, fatalities, and lost time injury rates. We collect information on direct energy purchases, electricity purchases, renewable energy purchases, the amount of energy used as a share of total revenue, and the amount of renewable energy used to create an augmented ratio of energy consumption divided by total revenue and renewable energy over total energy consumption ratio. We remove information concerning poison pill adoption and expiration dates as we observe whether a company has a poison pill. Finally, we capture information related to classified or staggered board structures by considering board composition and takeover prevention mechanisms through our singular, mixed, or two-tier board structure and poison pill identifiers. For more details on the controversy allocation as well as the industry composition of our sample, see Tables A.2.

Table A.1: Summary statistics on granular CSR information

Notes: This table provides summary statistics on our granular CSR information from LSEG ESG. In columns 1 and 2, we display the SASB materiality group for all variables. With the exception of critical incident management and systemic risk, we can accurately map all LSEG ESG information to a SASB category. The third column denotes for each CSR variable its type, i.e. reporting, policy, activity, target, controversy, or performance. Columns four to seven contain the mean, standard deviation, minimum, and maximum values of all CSR variables. Due to the full rank requirements of our clustering analysis, we always have 5,035 observations.

SASB materiality group	Variable name	CSR type	mean	sd	min	max
Greenhouse gas emissions	Emission policy	Policy	0.50	0.50	0.00	1.00
	Emission trading	Activity	0.11	0.31	0.00	1.00
	Emission targets	Target	0.31	0.46	0.00	1.00
	Emission reduction target (%)	Target	-0.00	0.17	-1.71	3.83
	CO_2 Emissions	Performance	-0.02	0.36	-0.61	5.00
	Staff transportation impact reduction	Activity	0.16	0.36	0.00	1.00
Air quality	Ozon-depleting substances	Performance	0.00	0.05	0.00	1.00
	NO_x and SO_x Emissions	Performance	-0.02	0.79	-1.27	5.00
	NO_x and SO_x Emission reduction	Performance	0.13	0.33	0.00	1.00
	VOC and PM Emissions	Performance	0.17	0.38	0.00	1.00
	VOC and PM Emission reduction	Performance	0.13	0.34	0.00	1.00
Energy management	Energy efficiency policy	Policy	0.52	0.50	0.00	1.00
	Energy efficiency targets	Target	0.22	0.41	0.00	1.00
	Renewable energy ratio	Performance	0.01	0.89	-5.00	5.00
Water and wastewater	Water efficiency policy	Policy	0.36	0.48	0.00	1.00
	Water technologies	Activity	0.06	0.24	0.00	1.00
	Water efficiency targets	Target	0.13	0.34	0.00	1.00
	Water usage / revenue	Performance	-0.01	0.32	-0.35	5.00
	Water recycled	Performance	-0.00	0.20	-0.99	5.00
	Water pollutant emissions	Performance	-0.00	0.18	-0.51	5.00
Waste & hazardous management	Waste reduction initiatives	Activity	0.49	0.50	0.00	1.00
	Waste / revenue	Performance	-0.04	0.32	-0.35	5.00
	Waste recycled (%)	Performance	-0.00	0.20	-0.99	5.00
	Hazardous waste	Performance	-0.02	0.32	-2.18	5.00
	Toxic chemicals reduction	Performance	0.13	0.34	0.00	1.00
	Electronic waste reduction	Performance	0.12	0.33	0.00	1.00
Ecological impact	Environmental restoration initiatives	Activity	0.20	0.40	0.00	1.00
	Land environmental impact reduction	Policy	0.08	0.28	0.00	1.00
	Biodiversity impact reduction	Policy	0.20	0.40	0.00	1.00
Human rights & Community relations	Policy human rights	Policy	0.41	0.49	0.00	1.00
	Policy Community involvement	Policy	0.67	0.47	0.00	1.00
	Human rights compliance ILO/UN	Policy	0.20	0.40	0.00	1.00
	Donations / revenue	Performance	-0.01	0.29	-0.79	5.00
Customer privacy	Controversies privacy	Controversy	0.00	0.08	-2.07	5.00

Continued

Table A.1 – continued

SASB materiality group	Variable name	CSR type	mean	sd	min	max
	Policy data privacy	Policy	0.49	0.50	0.00	1.00
	Whistleblower protection	Policy	0.52	0.50	0.00	1.00
Data security	HSMS certified percent	Policy	0.00	0.12	-4.12	1.72
Access and affordability	Product discount emerging markets	Activity	0.50	0..46	0.00	1.00
	Product access low prices	Activity	0.05	0.21	0.00	1.00
Product quality and safety	Policy customer health safety	Policy	0.27	0.44	0.00	1.00
	Product recall	Performance	0.04	0.19	0.00	1.00
Customer welfare	Product responsibility monitoring	Activity	0.15	0.36	0.00	1.00
	Healthy food/products	Activity	0.08	0.27	0.00	1.00
Selling practices and product labelling	Controversies consumer complaints	Controversy	0.02	0.12	0.00	1.00
	Policy responsible marketing	Policy	0.03	0.18	0.00	1.00
	Policy fair trade	Policy	0.02	0.13	0.00	1.00
	Retailing responsibilities	Activity	0.01	0.12	0.00	1.00
	Ethical trading initiatives	Policy	0.01	0.07	0.00	1.00
	Customer satisfaction	Performance	0.00	0.25	-5.00	1.62
Labor practices	Controversies wages working conditions	Controversy	0.02	0.15	0.00	1.00
	Policy child labor	Policy	0.18	0.38	0.00	1.00
	Policy forced labor	Policy	0.16	0.37	0.00	1.00
	Policy training and development	Policy	0.64	0.48	0.00	1.00
	Day care service	Activity	0.12	0.32	0.00	1.00
	Employee engagement voluntary work	Policy	0.50	0.50	0.00	1.00
	Training hours / assets	Performance	-0.00	0.41	-1.37	5.00
	Employee fatalities / assets	Performance	-0.00	0.45	-0.77	5.00
	Flexible working hours	Activity	0.23	0.42	0.00	1.00
	Employee satisfaction	Performance	-0.01	0.39	-5.00	2.37
	Salaries/wages	Performance	-0.02	0.23	-1.29	5.00
	Net employment creation / assets	Performance	-0.03	0.44	-5.00	5.00
	Employee turnover	Performance	-0.01	0.50	-1.84	5.00
	Strikes	Controversy	0.02	0.15	0.00	1.00
Employee health and safety	Health safety policy	Policy	0.71	0.46	0.00	1.00
	Employee health safety team	Activity	0.49	0.50	0.00	1.00
	Health safety training	Activity	0.56	0.50	0.00	1.00
	Accidents total/ assets	Performance	0.02	0.48	-1.05	5.00
	Lost time injury rate	Performance	-0.00	0.52	-0.99	5.00
	Occupational diseases	Performance	-0.02	0.44	-1.05	5.00
Employee engagement	Policy board diversity	Policy	0.36	0.48	0.00	1.00
	Policy diversity and opportunity	Policy	0.61	0.49	0.00	1.00
	Internal promotion	Activity	0.28	0.45	0.00	1.00
	HRC corporate equality index	Performance	-0.00	0.43	-3.64	2.69
	Targets diversity and opportunity	Target	0.21	0.38	0.00	1.00
	Salary gap	Performance	-0.03	0.26	-3.66	5.00
	Women employees	Performance	-0.01	0.66	-2.67	5.00
	Employees with disabilities	Performance	-0.00	0.39	-1.96	5.00
Product design and lifecycle management	Sustainable packaging policy	Policy	0.15	0.36	0.00	1.00
	Takeback and recycling initiatives	Activity	0.10	0.30	0.00	1.00
	Environmental material sourcing	Activity	0.29	0.45	0.00	1.00
	Environmental products	Activity	0.29	0.46	0.00	1.00
	Eco-design products	Activity	0.13	0.34	0.00	1.00
	Renewable energy products	Activity	0.11	0.31	0.00	1.00
	Sustainable building products	Activity	0.04	0.20	0.00	1.00
	Product impact minimization	Activity	0.18	0.39	0.00	1.00
	Product environmental responsibilities	Activity	0.35	0.48	0.00	1.00
Business model resilience	Environment management team	Policy	0.40	0.49	0.00	1.00
	CSR sustainability committee	Policy	0.44	0.50	0.00	1.00
	Global compact signatory	Reporting	0.17	0.37	0.00	1.00
	Sustainability compensation executives	Activity	0.16	0.37	0.00	1.00
	Integrated strategy in MDA	Policy	0.13	0.34	0.00	1.00
	environmental project financing	Activity	0.00	0.06	0.00	1.00
	Environment management training	Policy	0.44	0.50	0.00	1.00
	Green buildings	Performance	0.17	0.37	0.00	1.00
	Environmental investment initiatives	Activity	0.14	0.35	-0.93	3.81
	Six sigma and quality management system	Policy	0.16	0.36	0.00	1.00
	Environmental provisions	Activity	-0.02	0.23	-0.37	5.00
	Environmental expenditures	Performance	-0.03	0.27	-1.32	5.00
	Environmental investment expenditures	Performance	0.26	0.44	-0.78	4.03
Supply chain management	Environmental partnership	Activity	0.38	0.49	0.00	1.00
	Contractor human rights breaches	Performance	0.13	0.33	0.00	1.00
	Human rights contractors	Activity	0.30	0.46	0.00	1.00
	Supplier ESG training	Activity	0.12	0.33	0.00	1.00

Continued

Table A.1 – continued

SASB materiality group	Variable name	CSR type	mean	sd	min	max
	Environmental supply chain policy	Policy	0.35	0.48	0.00	1.00
	Environmental supply chain management	Policy	0.39	0.49	0.00	1.00
	Policy supply chain health safety	Policy	0.19	0.39	0.00	1.00
	Injury rate contractors	Performance	0.00	0.33	-1.71	5.00
Material Sourcing and efficiency	Resource reduction policy	Policy	0.64	0.48	0.00	1.00
	Organic product initiatives	Activity	0.03	0.18	0.00	1.00
	Resource reduction targets	Target	0.25	0.43	0.00	1.00
	Energy usage	Performance	-0.01	0.23	-0.26	5.00
	Renewable energy usage	Performance	-0.02	0.33	-0.54	5.00
Physical impact of climate change	Climate change commercial risk	Controversy	0.31	0.46	0.00	1.00
Business Ethics	Controversies tax fraud	Controversy	0.00	0.07	-2.76	5.00
	Controversies business ethics	Controversy	-0.00	0.17	-2.18	5.00
	Controversy bribery corruption and fraud	Controversy	0.08	0.27	0.00	1.00
	Controversies intellectual property	Controversy	-0.00	0.14	-2.74	5.00
	Policy bribery and corruption	Policy	0.60	0.49	0.00	1.00
	Policy business ethics	Policy	0.66	0.47	0.00	1.00
	Animal testing	Activity	0.06	0.23	0.00	1.00
Competitive behavior	Policy fair competition	Policy	0.50	0.50	0.00	1.00
	Trade union representation	Activity	-0.00	0.53	-1.81	3.11
	Poison pill	Controversy	0.06	0.23	0.00	1.00
Legal & regulatory environment	Quality management systems	Policy	0.41	0.49	0.00	1.00
	OECD guidelines for multinationals	Policy	0.06	0.24	0.00	1.00
	Stakeholder engagement	Activity	0.31	0.47	0.00	1.00
	Real estate sustainability certificate	Policy	0.01	0.11	0.00	1.00
	Corporate responsibility awards	Performance	0.34	0.47	0.00	1.00
	Self-reported environmental fines	Performance	-0.89	0.35	-1.00	5.00
Critical incident risk management	Accounting controversies	Controversy	0.00	0.06	0.00	1.00
	Crisis management systems	Policy	0.33	0.47	0.00	1.00
	Controversies public health	Controversy	0.00	0.10	-2.27	3.61
	Accidental spills	Controversy	-0.00	0.12	-0.58	5.00
Systemic risk management	Environmental controversies	Controversy	0.01	0.09	0.00	1.00
	Controversies anti-competition	Controversy	0.05	0.21	0.00	1.00
	Controversies responsible marketing	Controversy	0.07	0.58	-2.00	5.00
	Obesity risk	Controversy	0.02	0.12	0.00	1.00
	Controversies product quality	Controversy	0.04	0.19	0.00	1.00
	Controversies customer health	Controversy	-0.00	0.13	-1.32	5.00
Reporting	ESG reporting scope	Reporting	0.00	0.61	-5.00	0.62
	GRI reporting guidelines	Reporting	0.30	0.46	0.00	1.00
	Global CSR sustainability report	Reporting	0.42	0.49	0.00	1.00
	CSR sustainability external audit	Reporting	0.22	0.42	0.00	1.00

Table A.2: Industry decomposition

Notes: Table A.2 discloses information about the industries for each of the firm-year observations in our sample. The industries are chosen to match the available information from SIC and NAICS classifications from LSEG, Compustat US, Compustat Global, and FactSet. The industries are aggregated to an industry level to accommodate the industry classification presented by the SASB Materiality map.

Industry	N
Mining	500
Construction	159
Manufacturing non-food, non-petrochemicals	918
Utility	356
Retail & Wholesale	252
Service	261
Health care	392
ICT & ICT equipment	1,344
Food & Beverages	27
Manufacturing petrochemicals	826
Total	5,035

Table A.3: Controversies by industry

Notes: Table A.3 presents an overview which controversies we deem material for which industries. We need to manually assign some controversies to the SASB materiality map as they do not always match perfectly.

Controversies	Mining	Construction	Generic Manufacturing	Utilities	Retail & Wholesale	Service	Health care	ICT	Food & beverages	Manufacturing petrochemicals
Accidental spills	x			x						x
Accounting				x						
Anticompetitive	x	x	x	x		x		x	x	x
Bribery, corruption and fraud	x	x		x	x	x	x	x		x
Business ethics	x		x		x	x	x	x		x
Consumer complaint			x		x		x		x	x
Consumer health		x	x	x	x	x	x	x	x	x
Environmental	x	x		x					x	x
Intellectual property			x	x	x	x	x	x		x
Privacy						x	x	x		
Product quality		x	x		x	x	x	x	x	
Public health	x				x		x		x	x
Responsible marketing		x	x	x	x	x	x	x	x	x
Tax fraud	x		x	x		x		x		x
Wage working condition	x				x	x			x	

Appendix B Additional clustering specifications and CSR antecedent identification

A k-means clustering algorithm is a classification tool that considers similarities in a multivariate setting to identify groups of distinct clusters (MacQueen, 1967; Hair, 2013; Jain, 2010). The algorithm uncovers comparable observations by first assigning k random companies as initial cluster means, for which k represents the number of clusters (MacQueen, 1967). The second step determines the joint distance of all variables to the k initial cluster means for each observation to identify the smallest distance. Subsequently, it assigns each observation to the cluster with the smallest distance to later compute the cluster means using the updated cluster allocation. This process is repeated until each observation is more closely associated with its current cluster mean than to all the other cluster means, and thus no observation changes cluster (Xu and Wunsch, 2005). The k-means clustering algorithm requires a predefined number of clusters, k, to perform its clustering analysis (MacQueen, 1967).

We anticipate finding three distinct clusters as we hypothesize that firms approach substantive, compliance, and symbolic CSR. To illustrate the importance of an accurate number of clusters, we show what happens when k is suboptimal. When we choose an insufficient number of clusters, not every CSR approach can be identified as a share of the firms is assigned a wrong cluster by definition. On the other hand, when we assign a surplus of clusters, we create multiple clusters for a single CSR approach or near-empty clusters. For this reason, we validate our clustering analysis when we show that our hypothesized three clusters, one for every CSR approach, are optimal (Punj and Stewart, 1983; Ketchen and Shook, 1996).

We empirically verify that three clusters provide an optimal solution by considering a goodness of fit measure. Equation 3 displays our goodness of fit measure, η_k^2, which considers the share of variation in granular CSR data that is explained by our clustering mechanism for different numbers of clusters, k. The WSS_j represents the weighted sum of squared variation of all granular CSR data in cluster j. Likewise, the TSS represents the sum of all squared variation in granular CSR data. This goodness of fit measure strongly resembles the R^2 of a linear regression model and is frequently used in literature (Punj and Stewart, 1983). We determine

the optimal number of clusters k by identifying the point in which the marginal increases of η_k^2 converge in the $k+1$ cluster Ketchen and Shook (1996); Tibshirani et al. (2001). In addition, we require each cluster to contain at least 5% of the firms to ensure cluster validity and statistical relevance.

$$\eta_k^2 = 1 - \frac{\sum_{j=1}^{j=k} WSS_j}{TSS} \tag{3}$$

Figure B.1 shows the η_k^2 for each industry separately for one to twenty clusters. We see the largest marginal increase in η_k^2 for low values of k, indicating that each industry has a few distinct CSR approaches. Specifically, we find three diverging CSR clusters for mining, construction, general manufacturing, utilities, retail & wholesale, and health care industries and four clusters for services, ICT, food manufacturing, and petrochemical manufacturing industries. However, we are forced to constrain the industries from four to three clusters as firms either attain near empty clusters or provide nearly identical CSR approaches in two clusters. The resulting η_k^2 are 20.53%, 28.34%, 25.56%, 20.90%, 22.27%, 19.74%, 21.93%, 22.97%, 24.99%, and 23.90% for respectively the mining, construction, general manufacturing, utilities, retail & wholesale, service, health care, ICT, manufacturing food & beverages, and manufacturing petrochemicals industries. The average η_k^2 is 23.08%, indicating that the k-means clustering algorithm explains on average 48.04% of the variation in granular CSR information across industries.

Moreover, the validity of the clustering procedure is supported by the pronounced rate of the marginal η_k^2 increases and the single natural kink in the η_k^2 plot (Xu and Wunsch, 2005). In addition, both the η_k^2 and the number of clusters are similar across industries, indicating that our clustering procedure persists in multiple subsamples of our dataset (Hambrick and Schecter, 1983; Lange et al., 2004). When we perform a principal component analysis on our granular CSR data, we observe that the first three components respectively explain 23%, 6%, and 5% of the joint variation. Therefore, our clustering analysis is not driven by selected variables but captures the multifaceted nature of CSR.

In addition to identifying three clusters across every industry, we next identify them as substantive, compliance, and symbolic CSR, given their symbolic and substantive CSR scores.

Table B.1 displays the CSR reporting, policy, activity, target, controversy, and performance ranks of all firms with similar CSR approaches separately. In Panels A to K, we individually represent the entire sample and the mining, construction, generic manufacturing, utilities, retail & wholesale, service, health care, ICT, food & beverages, and petrochemical manufacturing industries.

We persistently observe substantive, compliant, and symbolic CSR firms. In every industry, we find that firms approach substantive CSR, given their excellent substantive CSR performance and little symbolic CSR performance. These firms strictly outperform all other firms regarding CSR controversy and performance ranks at the industry level. Precisely, they attain average controversy and performance ranks of 8.40 and 5.47, which statistically significantly outperform CSR compliance (7.85 and 4.78), and symbolic CSR firms (6.75 and 5.01) at the one percent level (Table B.1, Panel A). In contrast, substantive CSR firms underperform in all CSR reporting, policy, target, and activity ranks at the industry level. On average, their CSR reporting, policy, target, and activity ranks are 1.25, 3.66, 2.58, and 3.15, while CSR compliance and symbolic CSR firms attain ranks of 4.50, 5.62, 3.15, and 5.30, and 7.01, 7.47, 6.76, and 7.22, respectively.

We also identify CSR compliance firms in every industry. These firms display moderate symbolic and substantive CSR performance. In particular, they have average CSR reporting, policy, target, and activity ranks. As anticipated, CSR compliance firms are better equipped to mitigate CSR controversies than improve CSR performance. This especially holds in the construction and food & beverages industries, for which CSR compliance firms experience poor CSR performance ranks yet few controversies.

The last CSR approach that we identify is symbolic CSR. These firms have exuberant symbolic CSR performance that strongly overshoots their substantive CSR performance. Symbolic CSR firms outperform in symbolic CSR performance in every industry as they realize superior average CSR reporting, policy, target, and activity ranks. Further, they underperform in substantive CSR performance in almost all industries. This validates our main findings across every industry and the components of symbolic and substantive CSR performance.

Figure B.1: The goodness of fit for multiple clusters by industry

Note: Figure B.1 represents the goodness of fit, η_k^2, using Equation (1) on an industry level, similar to an R^2 in a linear regression.

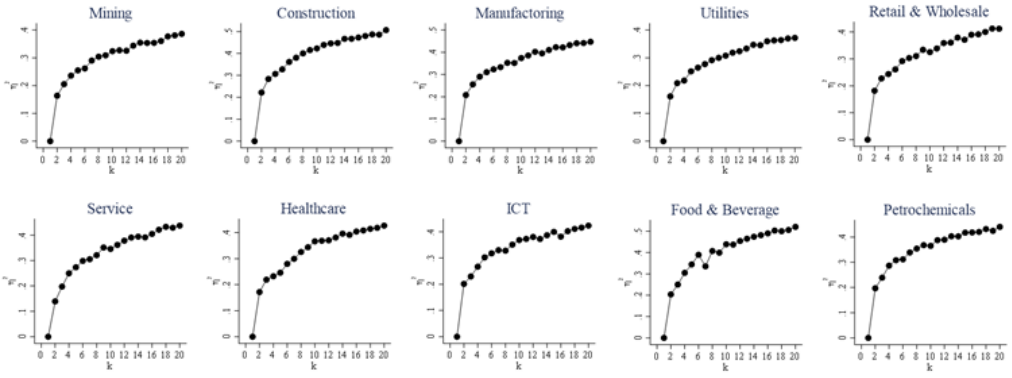


Table B.1: Identifying heterogeneous CSR approaches

Notes: Table B.1 displays the Wittkowski et al. (2004) ranks for CSR reporting, policies, activities, targets, controversies, and performance on a scale of 0 to 10 at the industry level. Standard deviations are given in parentheses.

Panel A: Full sample

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	775	7.01 (2.33)	7.47 (1.94)	6.76 (3.59)	7.22 (1.69)	6.75 (3.54)	5.01 (1.75)
CSR Compliance	907	4.50 (3.23)	5.62 (1.97)	3.15 (3.71)	5.30 (2.01)	7.85 (2.74)	4.78 (2.04)
Substantive CSR	3,353	1.25 (2.52)	3.66 (2.61)	2.58 (3.19)	3.15 (2.54)	8.40 (2.38)	5.47 (2.31)

Panel B: Mining

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	26	8.60 (1.84)	8.25 (1.37)	7.83 (2.67)	7.67 (1.17)	5.57 (4.03)	3.97 (1.16)
CSR Compliance	78	6.63 (2.22)	6.77 (1.55)	7.37 (2.47)	6.99 (1.17)	8.91 (2.59)	4.24 (1.64)
Substantive CSR	396	1.15 (2.42)	3.61 (2.33)	6.89 (2.29)	3.98 (2.38)	8.55 (1.77)	4.72 (2.49)

Panel C: Construction

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	22	6.63 (1.97)	6.73 (2.14)	7.13 (2.99)	7.19 (1.81)	7.34 (3.00)	4.50 (2.14)
CSR Compliance	3	4.29 (3.09)	5.66 (2.29)	6.47 (2.50)	3.65 (2.07)	9.11 (2.90)	3.89 (2.05)
Substantive CSR	134	1.22 (2.65)	2.86 (2.64)	5.87 (2.42)	3.54 (2.63)	8.37 (2.60)	5.17 (2.97)

Panel D: Manufacturing (non-food, non-petrochemical)

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	158	7.00 (2.17)	7.85 (2.23)	8.05 (3.33)	7.38 (1.85)	8.39 (3.41)	5.16 (1.49)
CSR Compliance	6	6.06 (3.23)	6.19 (2.41)	5.68 (4.35)	6.32 (2.47)	8.29 (3.49)	5.19 (1.63)
Substantive CSR	754	2.27 (3.06)	4.45 (3.05)	1.90 (2.81)	3.59 (2.46)	9.60 (1.67)	5.26 (2.17)

Panel E: Utilities

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	39	7.10 (2.02)	7.16 (1.68)	7.29 (3.78)	7.07 (1.31)	5.61 (3.44)	4.68 (1.25)
CSR Compliance	124	4.65 (2.95)	5.22 (1.82)	2.54 (3.27)	5.14 (1.58)	7.51 (2.62)	4.41 (1.76)
Substantive CSR	193	1.13 (2.35)	2.96 (2.25)	1.99 (2.54)	3.21 (2.60)	7.97 (2.33)	5.02 (2.24)

Panel F: Retail & Wholesale

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	47	6.82 (2.47)	7.83 (2.01)	5.14 (4.12)	7.03 (1.69)	9.04 (2.82)	5.78 (2.11)
CSR Compliance	89	3.67 (3.53)	5.63 (2.11)	1.88 (3.38)	4.99 (2.39)	9.62 (1.59)	6.13 (1.75)
Substantive CSR	116	0.67 (2.02)	2.91 (2.37)	0.72 (1.85)	2.87 (2.56)	9.58 (1.50)	6.23 (1.59)

Panel G: Service

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	74	5.72 (3.07)	8.18 (1.86)	6.18 (2.91)	6.36 (2.05)	7.53 (2.49)	6.99 (1.56)
CSR Compliance	8	3.59 (4.24)	5.22 (3.37)	6.11 (2.48)	4.10 (3.33)	8.21 (2.30)	7.09 (1.39)
Substantive CSR	179	1.16 (2.49)	4.37 (2.99)	6.05 (2.24)	2.94 (2.71)	7.96 (2.43)	7.08 (1.20)

Panel H: Health care

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	23	7.41 (1.75)	7.06 (1.43)	5.99 (3.99)	8.25 (1.09)	7.32 (3.11)	4.64 (1.67)
CSR Compliance	115	3.73 (3.42)	5.77 (1.54)	2.03 (3.29)	5.68 (1.69)	7.89 (2.64)	4.49 (2.47)
Substantive CSR	254	0.72 (2.18)	3.77 (2.40)	0.92 (1.99)	3.28 (2.73)	8.49 (2.13)	5.46 (2.38)

Panel I: ICT

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	243	7.05 (2.39)	7.31 (1.96)	5.98 (3.65)	7.07 (1.23)	4.92 (2.10)	4.53 (1.65)
CSR Compliance	329	3.63 (3.35)	5.59 (1.97)	1.62 (2.72)	5.27 (1.48)	5.29 (1.53)	4.72 (2.32)
Substantive CSR	772	0.71 (2.00)	3.36 (2.14)	1.07 (1.87)	2.80 (2.39)	5.50 (1.77)	5.73 (2.56)

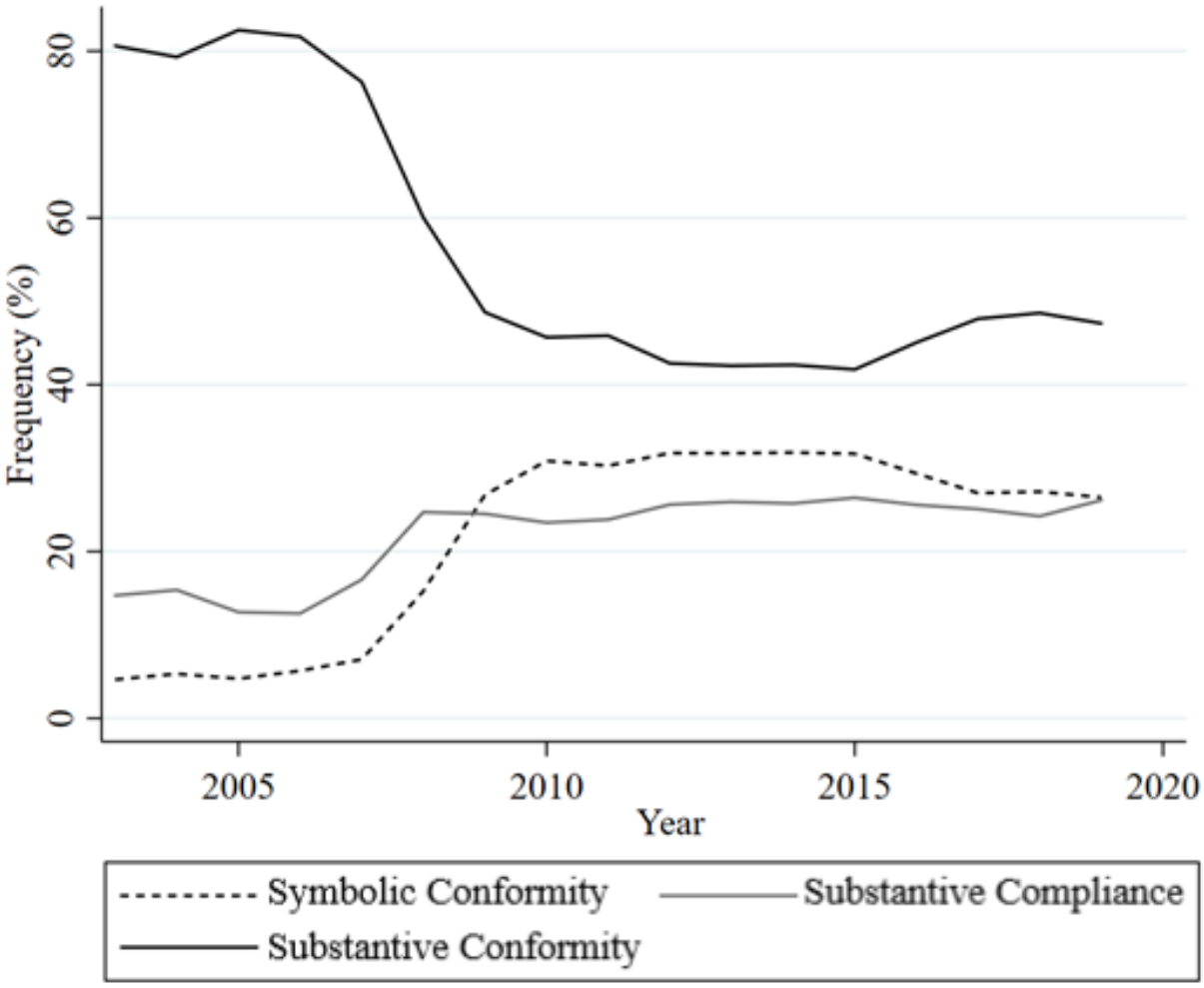
Panel J: Food & Beverages

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	0	-	-	-	-	-	-
CSR Compliance	16	4.75 (2.97)	5.77 (2.10)	3.33 (4.06)	5.00 (1.96)	8.91 (2.81)	3.73 (2.31)
Substantive CSR	11	1.09 (2.16)	2.77 (2.71)	1.92 (2.80)	2.68 (2.69)	9.18 (2.08)	5.44 (2.51)

Panel K: Manufacturing petrochemicals

CSR approach	N	Reporting	Policy	Target	Activity	Controversy	Performance
Symbolic CSR	143	7.40 (2.02)	6.74 (1.41)	6.61 (3.09)	7.77 (1.98)	6.74 (4.13)	4.75 (1.27)
CSR Compliance	139	4.67 (2.66)	5.29 (1.52)	2.90 (3.49)	5.05 (2.16)	9.11 (2.46)	4.84 (1.50)
Substantive CSR	544	0.90 (2.12)	3.80 (2.18)	1.42 (2.41)	2.05 (2.19)	9.35 (1.95)	5.54 (2.26)

Figure B.2: Heterogeneous CSR approaches over time



Appendix C Validation Symbolic and Substantive CSR scores

We verify the external validity of our scores using three established datasets covering environmental pollution in US heavy manufacturing firms regulated by the EPA. First, we consider pollution prevention data from the EPA P2 dataset. Pollution prevention activities are actions that firms report to the EPA as reducing emissions. These actions are symbolic, as we can also directly measure their pollution through the EPA Toxic Release Inventory, thereby overcoming the distinction between activities and actual outcomes discussed in Barnett et al. (2020). In other words, while actions might influence subsequent performance and are to some extent substantive, we know their implications for performance; correcting for this, we absorb the substantive part to retain only the symbolic component. Last, we capture environmental fines imposed by the EPA on firms that are not compliant with environmental law. These datasets are frequently used in economics and finance as credible measures of environmental performance and are audited by the EPA (see Hsu et al., 2023; Xu and Kim, 2021). We still need our measures, as our scope extends beyond the manufacturing, petrochemical, and utility sectors to a broader range of social and environmental issues.

Table C.1 presents validation results for our CSR scores. In Columns (1) and (2), we regress symbolic and substantive CSR scores on pollution prevention activities. The results show a positive association between symbolic CSR scores and symbolic environmental performance in the EPA dataset. In contrast, substantive CSR scores are negatively associated with pollution prevention activities, consistent with the idea that more sustainable firms may have already implemented such measures and thus have fewer additional activities to report.

Columns (3) and (4) repeat the analysis using firms' toxic releases as the dependent variable. Here, we find a negative relationship between substantive CSR scores and environmental pollution, indicating that firms with higher substantive CSR scores tend to pollute less. Conversely, symbolic CSR scores are positively associated with toxic releases: firms that engage in extensive symbolic CSR tend to have poorer environmental performance.

A similar pattern emerges in Columns (5) and (6), which examine environmental penalties. Firms with higher substantive CSR scores are less likely to face EPA enforcement actions or legal penalties for noncompliance with environmental regulations. In contrast, symbolic CSR

scores are positively related to environmental penalties. This could reflect firms' attempts to preempt or mitigate sanctions by announcing additional environmental targets (Godfrey et al., 2009). Alternatively, it may suggest that firms making greater symbolic commitments often underperform environmentally and thus incur more penalties. Taken together, these findings provide external validation of our symbolic and substantive CSR measures, leveraging an independent, credible dataset on the environmental behavior of major U.S. polluters.

Table C.1: Validation of symbolic and substantive CSR scores using EPA TRI data

This table validates the symbolic and substantive CSR scores of firms using established measures of symbolic and substantive environmental performance for US heavy manufacturing firms in the EPA Pollution Prevention (P2), Toxic Releases, and Environmental Fines (ECHO) data, see Xu and Kim (2021), Dasgupta et al. (2023), and Hsu et al. (2023). Columns (1) to (2), regresses symbolic and substantive CSR scores on the natural logarithm of pollution prevention activities. These activities reflect firms' symbolic environmental performance as they are tangible but do not necessarily involve material actions that firms undertake to reduce pollution. Columns (3) to (4) follow similar regressions for log toxic releases, reflecting firms' actual air, land, and water emissions. Columns (5) to (6) consider the number of EPA penalties as the dependent variable. The number of observations differs, as all plants are required to report their toxic releases, while few engage in pollution prevention activities, and even fewer are fined for violating environmental laws. We have a higher number of observations here than in the main sample, as we conduct the analysis at the plant or plant-chemical level rather than the firm level. Plant-chemical clustered standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

VARIABLES	Pollution Prevention		ln(Toxic Release)		Penalties	
	(1)	(2)	(3)	(4)	(5)	(6)
Symbolic CSR	0.078***		0.129***		0.005***	
	(0.007)		(0.011)		(0.001)	
Substantive CSR		-0.039***		-0.063***		-0.010***
		(0.006)		(0.011)		(0.003)
Observations	7,225	7,225	61,178	61,178	1,221	1,221
Adjusted R-squared	0.045	0.007	0.008	0.001	0.006	0.012

Appendix D Non-clustering robustness test

A careful reader may question whether our results depend on the clustering procedure used to classify CSR approaches. In our main specification, we use an unsupervised clustering algorithm to group firms based on their substantive and symbolic CSR performance. This approach allows the data to reveal observed CSR configurations without imposing ex ante thresholds on the combination of substantive and symbolic activities. Its advantage lies in empirical flexibility. We let patterns in the data define CSR approaches as they appear in practice. The trade-off is that the classification depends on the algorithm, which may raise concerns about transparency and researcher control.

To address this concern, we implement an alternative manual classification based directly on firms' substantive and symbolic CSR scores. This approach requires explicit cutoffs and, therefore, makes our assumptions transparent. We classify firms as substantive if their substantive CSR score exceeds the industry median. We classify firms as symbolic if their symbolic score exceeds the industry median while their substantive score falls below it. We classify the remaining firms as compliance-oriented. Because the literature lacks established thresholds to distinguish symbolic from substantive CSR, these cutoffs remain discretionary. We therefore treat this approach as a complementary robustness test rather than a definitive classification.

Using this alternative scheme, we replicate our main findings (Table D.1). Greater heterogeneity in stakeholder pressure reduces the likelihood of substantive CSR adoption. The economic magnitude is approximately half that observed in the clustering specification, yielding more conservative estimates. These results show that our conclusions are independent of the clustering algorithm. We rely on clustering-based classification in the main analyses because it limits the need for threshold assumptions, but our findings remain robust under a transparent, rule-based approach.

Table D.1: Heterogeneous stakeholder pressure and substantive CSR adoption: non-clustering classification

This table replicates the results of Table II without relying on the clustering analysis. Instead, we apply transparent thresholds to classify CSR approaches: firms are classified as substantive CSR adopters if their substantive CSR score exceeds the industry median, as symbolic CSR firms if their symbolic CSR score exceeds the industry median while their substantive CSR score does not, and as compliance-oriented firms otherwise. The empirical specification is otherwise identical to that of Table II. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.158***	-0.159***	-0.201	-0.191				
	(0.051)	(0.050)	(0.098)	(0.095)				
Heterogeneity Stakeholders$_{t-1}$					-0.135***	-0.134***	-0.162**	-0.157**
					(0.043)	(0.043)	(0.075)	(0.076)
Substantive CSR score$_{t-1}$	0.074**	0.075***	0.076**	0.079**	0.076***	0.076***	0.078**	0.081**
	(0.029)	(0.028)	(0.030)	(0.032)	(0.029)	(0.029)	(0.031)	(0.033)
Observations	785	785	785	785	785	785	785	785
Adjusted R-squared	0.111	0.112	0.116	0.158	0.108	0.107	0.110	0.153
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes

Appendix E Probit Estimation

Even though the average probability of a firm approaching CSR substantively or symbolically is far from zero, and an OLS estimation should converge to a probit estimation, we explicitly run the model to ensure our coefficients remain significant and standard errors are consistent. Table E.1 displays such estimations and generally validates the statistical significance of our prior results. Specifically, all coefficients are significant at the 1% level.

Table E.1: Heterogeneous stakeholder pressure and substantive CSR adoption: probit estimation

This table replicates the results of Table II using a probit model. The empirical specification is otherwise identical to that of Table II. All coefficients are significant at the 1% level, confirming that results are robust to the choice of linear probability model. Standard errors clustered by CSR approach are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Heterogeneity Issues$_{t-1}$	-0.844***	-0.852***	-0.671***					
	(0.242)	(0.251)	(0.199)					
Heterogeneity Stakeholders$_{t-1}$				-0.850***	-0.860***	-0.674***	-0.674***	
				(0.169)	(0.176)	(0.107)	(0.107)	
Substantive CSR score$_{t-1}$	0.123***	0.116***	0.106***	0.127***	0.120***	0.108***	0.108***	
	(0.029)	(0.025)	(0.021)	(0.034)	(0.030)	(0.026)	(0.026)	
Observations	785	785	785	785	785	785	785	785
Manager controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Firm controls	No	No	Yes	Yes	No	No	Yes	Yes
Year + Industry FE	No	No	No	Yes	No	No	No	Yes